

The Incorporated Accountants' Journal

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The Society of Incorporated Accountants and Auditors

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Professional Notes.

WE publish this month a translation of the full text of two Decrees of the French Government—the first concerning the application to managers and directors of companies of the laws relating to bankruptcy, and forfeiture of their right to act; and the second an amendment of the law relating to companies as regards the penal responsibility of the directors and the selection and duties of the auditors. In order to show the difference between the old law and the new as regards the question of audit, we also reproduce the Law of July, 1867, which is now being replaced by Article 4 of the new Decree.

It will be seen that the new provisions impose some very important restrictions as to the auditors, including the following :—

- (1) There cannot be selected as Auditors persons who, by reason of functions other than those of auditors, receive in any form a salary or a remuneration from the directors or from the company or from any

undertaking holding one-tenth of the capital of the company, or of which the company possesses at least one-tenth of the capital.

- (2) In companies limited by shares which invite public subscriptions, one of the auditors at least must be selected from a list prepared by a commission sitting in the chief town of the Court of Appeal within the jurisdiction of which the registered office of the company is situate.
- (3) The auditors whose names appear on the list of the Court of Appeal cannot exercise the functions of a company director.
- (4) The auditors cannot become directors of companies which they check less than five years after the expiry of their period of office.

A new arrangement with regard to the assessment of Building Societies for income tax has been agreed between the Board of Inland Revenue and the Council of the National Association of Building Societies. This arrangement, known as Document No. 13A (1935) supersedes Arrangement No. 13A (1932), the text of which we published in our issue of October, 1932. The full text of the new arrangement, together with instructive notes thereon prepared by Mr. F. J. Cooksey for the Income Tax Committee of the Association, will be found in another part of this issue. For permission to reproduce these notes we are indebted to the *Building Societies Gazette*.

It was officially announced last month that the Hon. George Colville, M.B.E., has retired from the Secretaryship of the Institute of Chartered Accountants in England and Wales, a position which he has occupied with distinction for the last 36 years. The good wishes

of the members and of the Accountancy Profession generally will go with him in his retirement. Mr. Colville is succeeded in the office of Secretary by Mr. Robert Wynne Bankes, C.B.E., Barrister-at-Law, who has acted in the capacity of Assistant Secretary for the last six years, and Mr. Alan S. MacIver becomes Assistant Secretary in place of Mr. Bankes.

The proposed scheme of fusion between the Chartered Institute of Secretaries and the Incorporated Secretaries Association is meeting with some opposition. A Protest Committee has been formed who propose to counter-petition the Privy Council against the fusion, mainly on the ground that many of the members of the Incorporated Secretaries Association have been admitted without examination. They also object to the operation of bye-law 21, which empowers the Council to exempt persons from the professional examinations of the Institute.

The basis of assessment to income tax of builders carrying on the business of estate development was the subject of an important decision recently by the Court of Appeal in the case of *John Cronk & Sons, Limited v. Harrison*. The company, following the procedure now commonly adopted, purchased plots of land upon which they erected houses. These houses were purchased mainly by people who were unable to provide more than a small capital sum in the first place, the balance being advanced on mortgage by a building society. The Society being unwilling to advance more than about three-fourths of the value of the house, entered into an arrangement with the building company whereby the latter agreed to act as guarantors for the remaining one-fourth and to provide a deposit, the sum so provided being treated by the society as an interest-bearing deposit. If the purchaser duly paid his instalments as they fell due and reduced the amount outstanding on his mortgage to a figure which was amply covered by the security of the house, the building company's deposit was refunded, but if the purchaser failed the building company might lose the whole of the deposit.

The Inland Revenue Authorities claimed that the whole of the purchase price should be brought to credit by the building company and any losses sustained by them as guarantors allowed as and when incurred. The company, on the other hand, maintained that the deposits should be excluded in computing their profits, or at any rate included at not more than their value to the company. In the Court of first instance judgment was

given in favour of the Crown, but on appeal the company's contention was unanimously upheld on the ground that the guarantee and deposit by the company ought not to be treated separately from the sale, the whole arrangement being in substance one transaction.

A question as to the right of Counsel to sue for his fees arose recently in the case of *Re Sandford (No. 2) ; Italo-Canadian Corporation, Limited v. Sandford*. A solicitor died insolvent, and an action was brought by creditors for the administration of his estate. The whole of Counsel's fees had been received by the solicitor prior to his death, and Counsel claimed that he should be paid in full or alternatively that he should rank for dividend with the other creditors. It was held that as regards the claim for payment in full there was no ground for treating the moneys as being held in trust, and that the alternative claim was also bad as Counsel had no right of action against the solicitor during his lifetime and the solicitor's death created no new right.

The liability to income tax in respect of advances made by the Minister of Agriculture and Fisheries to Beet Sugar Companies was the point at issue in the case of *Stuart v. Lincolnshire Sugar Company, Limited*. The advances were made under the provisions of the Beet Sugar Industry (Assistance) Act of 1931, which provides for the granting of advances and for the repayment thereof in certain circumstances. By section 2(3) in the event of the company going into liquidation or a receiver being appointed within three years from October 1st, 1931, the total of the outstanding advances became due and payable. The Inland Revenue Authorities claimed that the advances were taxable, but the Special Commissioners found in favour of the company, and this view has now been upheld by Mr. Justice Finlay who was unable to reconcile the Crown's claim with the terms of section 2 (3) because, as he pointed out, it would result in the company being liable to pay tax upon a receipt which if liquidation supervened would be liable to be refunded, so that the Crown might get both the tax on the advance and also repayment of the advance upon which the tax had been paid.

The Governments of the Colonial Dependencies in which the quota system for certain types of cotton and rayon goods is in force have been advised by the Board of Trade that no such goods are to be admitted free of restriction unless accompanied by a certificate guaranteeing their British origin. The certificates must certify that the goods have been spun, woven and finished in

the British Empire and must be endorsed by one of the following Chambers of Commerce: Belfast, Bradford, Derby, Exeter, Glasgow, Great Yarmouth, Huddersfield, Hull, Leeds, Leicester, Liverpool, London, Manchester, Norwich, Nottingham. This step has been taken to prevent foreign cloths being misrepresented in the colonies as British made. The certificate is required solely for the purpose of the textile quotas and not for the purpose of claiming entry at the preferential rate of duty. The announcement has given great satisfaction in Lancashire and it is understood that the cotton industry will now seek the enforcement of the same regulations in all the Dominions and other countries in which Britain enjoys preferential treatment.

At the meeting of the British Association held in Norwich last month, Dr. Wynn Jones, speaking on the subject of "Personality and Age," said an investigation in Germany disclosed that the age at which people begin to feel old is on an average 49 years, though the range varies widely. It was also found that some people feel old physically long before they do so mentally, and *vice versa*. Regarding intellectual ability as measured by intelligence and memory tests, deterioration due to age is small, but practice and interest are needed to maintain the level. Ability to learn a systematic subject increases up to the age of 20 or 22, and then drops very slightly to 35 and a little faster to 45 or 50, and it is only quite late in life that it falls rapidly. Adults, he said, learn much less than they might, because they under-estimate their powers of learning.

During the proceedings of the Association the General Committee elected Sir Josiah Stamp as President for the year 1936, when the Association will meet at Blackpool.

At the Fifth International Congress of Building Societies held in Austria last month, Sir Harold Bellman, in his Presidential Address, said that during the past two years Building Society advances in Great Britain exceeded £100,000,000 per annum, and at the same time the number of houses built averaged approximately 300,000 per annum. This, he said, had contributed greatly to the recovery in Britain's economic fortunes, resulting in a marked fall in the number of unemployed and a general increase in national production. The possession of a stake in the country, whether through savings or the purchase of a house, conferred a strong sense of social responsibility and thus promoted the political stability of the State.

On his return to England, Sir Harold Bellman expressed the opinion that the Congress was undoubtedly the most important of its kind that had yet been held. It was thoroughly international in its scope and achieved results likely to leave a permanent mark in Building Society history. The Conference had revealed the fact for the first time that the savings of Building Society members throughout the world aggregated approximately £2,000,000,000.

Addressing the Congress on the subject of "Common Factors in the Life of Nations," Sir Josiah Stamp made an important statement on the stabilisation of exchanges and the trial of a new international gold standard, the substance of which we reproduce in another column. Referring to the relation of the Building Society movement to the search for the highest common factors of national life, Sir Josiah drew attention to its civilising character and outlook. The movement, he said, promoted a forward outlook and created a habit of keeping expenditure well within current consumption. It promoted family life and unity and was an education to the citizen in the true nature of capital and interest. House purchase as distinct from rent paying maximised the value of the household budget and therefore raised the standard of life.

An analysis of the finance of Local Authorities in England and Wales appears in the Bank of England Statistical Summary. From this it appears that since the year 1924 the debts of these Authorities increased from £820,300,000 in 1924 to £1,393,600,000 at March 31st, 1933. The sinking fund provisions which in 1924 amounted to £61,800,000 had, in 1933, risen to £93,300,000, so that the net increase of debt in the nine years was £5,041,800,000, or about 70 per cent. The greater part of the increase was in respect of Rate Fund services, including Housing and Town Planning, Education and Public Health. The debt in relation to trading undertakings did not show a very substantial increase.

The legal profession appears to be greatly concerned about the decision of the House of Lords in the case of *Rye & Eyre v. Commissioners of Inland Revenue*, which had reference to Rule 21 of the Income Tax Act, 1918, the first clause of which reads as follows:—

"Upon payment of any interest of money, annuity, or other annual payment charged with tax under Schedule D, or of any royalty or other sum paid in respect of the user of a patent, not payable or not wholly payable

out of profits or gains brought into charge, the person by or through whom any such payment is made shall deduct thereout a sum representing the amount of tax thereon at the rate of tax in force at the time of the payment."

Messrs. Rye & Eyre were instructed by a client to pay a sum in advance on account of royalty under a licence to perform a play in London. Nothing transpired for two years, during which period the Inspector of Taxes was in communication with the producing syndicate, which became insolvent. The profit and loss account of the syndicate stated that no reserve had been made for income tax on the advanced royalties, and the Commissioners thereupon assessed Messrs. Rye & Eyre on the ground that they were the persons who had made payment under Rule 21.

Surprise is expressed that no comment was made by any of the Judges in the House of Lords on the case as stated by the Commissioners, which treated the appellants as the "persons through whom" the payment was made, thus inserting the word "persons" before the words "through whom," and construing the words "persons by or through whom" as meaning those who made the physical payment—an interpretation which is it contended is not in accord with the strict provisions of Rule 21.

The contention is that the words "through whom" relate back to the word "person" and mean the person legally responsible to the copyright owner. The words "through whom," it is contended, were added to the Rule in order that the person legally responsible should not shelter himself behind an agent, and say that the agent should have deducted the tax and that he, the responsible person, was absolved. The matter has been before the Manchester Law Society and the Halifax Law Society, who consider the decision very important and suggest that the matter should be raised in the House of Commons.

To accountant students who are not in a position to obtain the necessary facilities for attending courses of tuition in business hours, it may be interesting to know that the City of London College provides evening courses in preparation for the examinations of the Society of Incorporated Accountants and Auditors. The courses are conducted by experienced and

qualified lecturers and practical applications are set as home-work. The fees and all particulars may be ascertained from a pamphlet issued by the College.

REFUSAL TO REGISTER TRANSFERS

SHAREHOLDERS in private companies discover not infrequently that it is difficult to realise their holdings, since the Articles give the directors wide powers of refusing to register transfers, and the question sometimes arises of the possibility of compelling the board to accept a transfer of such shares.

In the recent case of *Berry and Another v. Tottenham Hotspur Football and Athletic Company, Limited*, the difficulty of taking action in such cases was well demonstrated. Article 16 of the defendant company's Articles of Association provides that "the directors may decline to register any transfer of shares made by a member who is indebted to the company, or in case the transferee shall be a person of whom the directors do not approve or shall be considered by them objectionable, or the transfer shall be considered as having been made for purposes not conducive to the interests of the company, and the directors shall not be bound to specify the grounds upon which the registration of any transfer is declined under this Article."

Transfers presented by the plaintiffs were rejected by the board, who assigned no reason for their action, and proceedings were taken with a view to compelling them to register the transfers. Before coming to the decision of the Court it is useful to consider the earlier cases on the subject.

In *Re Coalport China Co.* (1895) it was held that, though the Court may compel the directors to register a transfer notwithstanding provisions in the Articles giving them absolute power to refuse registration, the Court will not do so unless it is proved that the directors have not exercised their powers in good faith. The burden of proving absence of good faith rests on the shoulders of the shareholder who is seeking to enforce the registration of the transfer, and where the directors refuse to give reasons for their refusal to register the shareholder is faced immediately with an almost insurmountable difficulty.

It was held, however, in *Duke of Sutherland v. British Dominions Land Settlement Corporation* (1926) that in such cases the shareholder may administer interrogatories in the course of the proceedings, and may in these interrogatories

require the defendants to state the grounds on which they have rejected the transfers. In that case the Articles provided that "the directors may, without assigning any reason, decline to register any transfer of shares not fully paid up to any person not approved by them or made by any member jointly or alone indebted or under any liability to the company." This Article made it impossible for any shareholder to call upon the directors to state their *reasons* for rejecting a transfer. It was held, however, that in an action interrogatories might be administered requiring the directors to state the *grounds* on which the rejections have been made, *i.e.*, whether it was because they did not approve of the transferee or because the transferor was indebted or under a liability to the company. This concession did some slight service to the plaintiffs, since it helped them to narrow down the field of their attack upon the board.

Now, in the case of *Berry v. Tottenham Hotspur Company* similar interrogatories were administered, but these interrogatories the directors refused to answer on the ground that their Articles gave them wider protection than had been given by the Articles of the British Dominions Corporation. The somewhat subtle point of distinction lay in the fact that whereas in the Articles of the latter company it was stated that the directors need not assign "any reason" for refusing to register a transfer, in the case of the Tottenham Hotspur Company the Articles provided that the directors need not specify "the grounds" on which any registration should be declined. It was argued that this wording prevented a shareholder from requiring the directors to state even the heading under which a transfer had been rejected, let alone their reasons for the rejection; and the argument was accepted by the Court.

Mr. Justice Crossman took the view that "specifying grounds" did not mean the same thing as "assigning reasons," and that in the circumstances it would not be right of him to allow the interrogatories, since to do so would be to override an agreement by which the parties were bound. It seems, therefore, that in such a case it is virtually impossible for a shareholder to compel the directors to register a transfer, since there are no means by which he can discover the grounds on which registration has been refused. In taking shares he has agreed to the terms of the Articles, and by so doing he has contracted not to require the directors to state either the grounds or their reasons for exercising their power of rejecting any transfer of shares.

VALUING OUTSTANDING DEBTS FOR INCLUSION IN THE BALANCE SHEET

[CONTRIBUTED].

It is the general practice to-day, and the textbooks on accountancy reflect this practice, in valuing outstanding debts for inclusion in the balance sheet of a trader, to provide for bad debts, doubtful debts and reserves against discounts, where discounts are allowed to the customer. The debts, with exceptions which will be referred to later, are brought into the balance sheet at their nominal value, less only the deductions enumerated above. Yet it is strange that the adequacy of these deductions does not appear to have been previously questioned. Decisions of the South African Courts, mentioned below, indicate the legal view.

The balance sheet represents a picture of an undertaking at an appropriate point of time, and it is an axiom in accountancy practice, that a circulating asset should not be valued above the then prevailing market price. Yet this axiom is not applied as regards outstanding debts. A sale on credit can be analysed into two separate transactions, and is equivalent to a sale for cash plus a loan of the amount of the selling price to the customer. Now, no conscientious accountant would allow a banker to include the bills of his portfolio at their nominal value unless a reserve has been created for rebate of interest not yet earned, then why should the trader when he assumes the roll of banker by giving credit to his customer be treated otherwise? So there is yet another element to be taken into consideration: interest for the period that the debt still has to run from the date of the balance sheet. But this is not all. A debt still has to be collected, and there is always some expense attached to the collection of a debt. This is another factor which tends to reduce the value of the debt on the date of the balance sheet.

Finally there is a third factor, the equivalent of insurance against risk of loss inherent in all transactions in which there is an element of time. The two last factors would also apply to bills discounted or passed on by endorsement, unless the bills were endorsed "*sans recours*." Hence if the analogy of the valuation of stock in trade be accepted, debts should be included in the balance sheet at a price which does not exceed the market price of such debts and in the absence of an actual market for them, the minimum deduction to be made in addition to the usual provisions for bad debts, doubtful debts and discounts where such are allowed to the customer, is interest for the time the debt still has to run, cost of collection and cost of insurance (or its equivalent) against risk of loss inherent in all time bargains. The last two factors can be ascertained in the case of a long-established business, and in normal times by analysis of the appropriate expense items, and by relating the actual bad debts suffered over a period

of time to the turnover for that period. It will be seen that in the case of bills discounted, it will be necessary to assess the risk of the contingent liability plus cost of collection and charge that amount to profit and loss in addition to noting the contingent liability on the balance sheet. The more remote the date of payment, the more important do the special provisions given here become.

In the case of sales on instalments payable over an extended period of time, it is the practice to differentiate between the cash and credit price of the goods. The difference between the cash price and the cost is immediately brought into profit and loss account as profit. The difference between the cash and credit price is treated as interest on the cash price and allocated over the period of the debt. The unearned interest here figures as a deduction from the nominal value of the debts appearing in the balance sheet. Now the treatment is different when the goods are sold on hire-purchase agreement. In this case the whole profit is apportioned over the period of the contract, and profits are only treated as earned in proportion to each instalment falling due. I submit that consideration will show that the latter is the more correct method for all sales on instalments spread over a lengthy period of time.

A retail grocer buys goods in bulk and breaks this bulk for his sales. He takes no credit at the date of the balance sheet for profit on his unsold stocks, however certain he may be of disposing of his stocks at a profit. The seller by instalments is also a retailer. The bulk of his article cannot be broken, and he is compelled to hand over his whole article to the buyer. The retailing here has a time dimension, and hence, by analogy, as the use accrues to the purchaser in instalments so the profits accrue in instalments to the seller. There are legal and economic repercussions to the attitude here adopted, but before proceeding to deal with them I want to make it clear that I am aware that the additional provisions here discussed are not of equal importance in all cases. For example, where the outstandings are not on long terms of credit, and there are liabilities of similar amount and terms of credit outstanding at the date of the balance sheet, the interest factor may be neglected, but deductions for cost of collection and estimated cost of risk-bearing should be provided for.

I now come to the legal point of view. The question has been raised in the Union of South Africa in connection with income tax assessments. According to the Union Income Tax Acts, the tax is levied on the "Receipts and Accruals" to the taxpayer during the fiscal year "other than receipts and accruals of a capital nature." Among the deductions allowed from these receipts and accruals are bad debts actually incurred during the tax year and an allowance on doubtful debts. The amount of the allowance on doubtful debts is at the discretion of the Commissioner for Inland Revenue.

A farmer by the name of Lategan, who sold wine on credit, sought to exclude the amount of his outstandings altogether from his income tax accounts.

His plea was that, though the outstandings were owing to him for goods sold, they were payable at some future date, and therefore had not accrued to him on the date of his returns. The matter came on appeal to the Cape Provincial Division of the Supreme Court of South Africa, and it was held that, apart from the right of deducting bad debts and an allowance for doubtful debts, what accrues to the taxpayer is not the nominal value of the debt, but the right of action, *i.e.*, the right to enforce payment on the due date. This is a valuable right which has a monetary value, but something must be deducted from the nominal value before the present worth of the debt can be arrived at. (*Lategan v. C.I.R.*, (1926), C.P.D. 209.) This decision was further upheld by the same Court in the case of *Ochberg v. C.I.R.*, where assessment of income tax on outstanding deferred instalments was dealt with. (C.P.D., December 29th, 1932.) The Court did not say how the valuations should be made, but this is a matter of accountancy technique, and I have indicated above the factors to be taken into account.

It appears to me that these judgments have even a wider application. Once we recognise that what accrues to the individual on the date of the balance sheet is not the nominal value of a debt, but only the right to enforce payment, then this right must be of less value than the debt itself. Hence, if a company fails to make provision in its periodical accounts for these differences, and divides the whole of its apparent profits, it runs the risk of being held to have made a distribution from capital.

We now come to the economic aspect. I believe that accountancy practice has some influence on spending, and also on banking policy. For example, the rule of accountancy, that stocks should be valued at cost or market price, whichever is the lower, tends to reduce the amount of profits shown in accounts. This acts as a brake against inflation in so far as it influences the credit policy of the banker or the spending policy of the proprietors of the business. If this is true, an additional brake will be provided by more scientific attention to the valuation of outstanding debts, for credit giving is a means of making effective a demand which would otherwise lie dormant. The additional demand affects prices, and is thus one of the vehicles of inflation. I do not wish to convey here that inflation is necessarily always bad, but I believe that it is generally agreed that uncontrolled inflation is bad. Hence by focussing scientific attention to the two danger points on the balance sheet the valuations of stocks on hand and outstanding debts, it may be the privilege of the accountant to assist in minimising the effects of crises so devastating to the community.

Sir Josiah Stamp, G.C.B., was installed as Charter Mayor of Beckenham on Thursday, September 26th, the Charter being handed to him by the Lord Mayor. It is of interest to note that Sir Stephen Killik and Sir Josiah Stamp are two of the five Honorary Members of the Society.

FRENCH DECREES CONCERNING COMPANY DIRECTORS AND AUDITORS.

The following is a translation of two Decrees under date August 8th, 1935, together with a covering report to the President of the French Republic:—

Report to the President.

The struggle undertaken by the Government against speculation and for the defence of the franc, calls for certain measures which will afford greater safety to the investing public, while at the same time they will impose more effective penalties for breaches of those obligations which are incumbent upon all persons in whom investors have placed their trust for the administration or supervision of their capital.

It is in this spirit that the Government proposes the following enactments:—

The first decree provides:—

1. For the possibility of making the bankruptcy of a company applicable to those who, even without taking any active part in the administration of the company were, in reality, the moving spirits of same and had behaved as the actual masters of the business.

The proposed text merely crystallises on this point the tendency of the Courts which had recently been confirmed by the Court of Cassation.

2. The possibility of applying the penalties incurred by traders convicted of fraudulent bankruptcy, to company managers and directors who, under the same conditions, have been guilty of the same reprehensible acts.

3. The extension to company directors of the system instituted by the law of June 19th, 1930, under which a certain number of cases of disability are applicable to persons who intend to carry on the occupation of banker.

4. Power on the part of the Tribunal of Commerce to disqualify a director when the company under his management has been declared bankrupt and grave faults have been observed against him.

In fact, the inequality of treatment which exists between the bankrupt trader and the directors of a collective undertaking which has been adjudicated bankrupt is particularly striking. While the former incurs occupational disqualifications which keep him aloof from all commercial activity, the others retain full capacity to continue malpractices detrimental to the investing public.

The second decree, on the one hand, completes the enactments in relation to the penal responsibility of the directors and, on the other hand, reforms the system of auditors.

The general principles laid down by the law of July 24th, 1867, which still constitutes the Charter of Share Companies, have remained excellent. On certain points, however, the application of these principles to present situations is found often to be insufficient in its results. In particular, it appears to be a matter of urgent necessity to widen the penal scope of Article 15 of the law by giving the character of a penal offence to acts which the legislator of 1867 had not been able to foresee.

In addition, it is desirable to reform the institution of auditors which no longer corresponds at present to the importance of the part played by these officers, by requiring from them guarantees of moral standing and proof of capacity, by making them independent of the boards of directors and giving them the necessary means of investigation.

Finally, the object of the third decree is to protect the

rights of shareholders against abuses of the powers of the board of directors when the share capital of companies is intended to be increased.

First Decree.

DECREE PROVIDING FOR APPLICATION TO MANAGERS AND DIRECTORS OF COMPANIES OF THE LAWS RELATING TO BANKRUPTCY AND FRAUDULENT BANKRUPTCY AND INSTITUTING DISQUALIFICATION AND FORFEITURE OF THE RIGHT TO ACT AS MANAGER AND DIRECTOR OF A COMPANY.

Art. 1.—Article 437 of the Code of Commerce is completed by the following enactment:—

"In case of bankruptcy of a company, the bankruptcy may be declared applicable to every person who, masking his actions under cover of the company has, in his personal interest, carried out acts of commerce and in actual fact dealt with capital of the company, as being his own."

Art. 2.—In case of declaration of bankruptcy of a company, the penalties provided by paragraph 3 of Article 402 of the Penal Code shall be applied to the directors, managers or liquidators of a limited company, the managing partners or liquidators of a *société à responsabilité limitée* (private company), and, generally, all nominees of the company who, in that capacity, and in bad faith:—

1. Have made use of large sums belonging to the company by carrying out dealings, either of pure speculation or fictitious operations, on the Stock Exchange, or in goods;

2. Or have made purchases in order to resell below the market price with the intention of retarding the bankruptcy of the company or, with the same intention, have resorted to loans, putting bills into circulation, or other ruinous methods of procuring funds;

3. Have, after cessation of payments, paid or caused to be paid one creditor to the detriment of the bankrupt estate.

4. Or have caused the company to contract for account of others, without its receiving any consideration in exchange, liabilities which are held to be too considerable having regard to the company's position when it contracted them;

5. Or have committed any of the breaches provided for and punished by Articles 18 and 19 of the law of March 18th, 1919, concerning the Register of Commerce;

6. Or have not, within fifteen days of cessation of payments, made to the Registry of the Tribunal of Commerce the declaration prescribed by Articles 438 and 439 of the Code of Commerce.

7. Or have kept or caused to be kept irregularly, the books of the company.

Art. 3.—In the case of declaration of bankruptcy of a company, the penalties provided by paragraph 2 of Article 402 of the Penal Code shall be applied to the directors, managers or liquidators of a limited company, the managing partners or liquidators of a *société à responsabilité limitée*, and, generally, all nominees of the company who, fraudulently, have abstracted the books of the company, misappropriated or concealed a part of its assets or either in the entries or by deeds in solemn form or by agreements under hand or again by the balance sheet, have acknowledged the company as being a debtor for sums which it did not owe.

Art. 4.—The penalties provided in paragraph 3 of Article 402 of the Penal Code shall be applied to the directors, managers or liquidators of a limited company, the managers or liquidators of a *société à responsabilité limitée*, and, generally, all nominees of the company who,

with the intention of safeguarding all or part of their own property against proceedings taken by the company or its shareholders or its creditors, have, in bad faith, misappropriated or concealed or endeavoured to misappropriate or conceal a part of their property or have fraudulently acknowledged themselves to be debtors for sums which they did not owe.

Art. 5.—The disqualifications applicable by law to the bankruptcies of traders are applicable *ipso jure* to the persons found guilty under Articles 2, 3 and 4 of the present decree.

Art. 6.—Any final conviction in respect of a felony under the written law, for theft, for breach of trust, for false pretences or any misdemeanour punished by law with the penalties applicable to false pretences or fraudulent bankruptcy, misappropriation committed by a public custodian, extortion of funds or securities, fraudulently uttering cheques without funds to meet them, impairing the credit of the State, receiving the things obtained by means of these offences, entails *ipso jure*, a disqualification to the right of directing, managing or administering, in any capacity, a limited company or a company à responsabilité limitée, or a branch or agency of a company limited by shares or a company à responsabilité limitée, or from exercising the duties of a member of the supervisory council or auditor of these companies, or using the signature of such companies with binding effect.

Any conviction in respect of an attempt at or complicity in the above offences shall entail the same incapacity.

The same disqualification is incurred by undischarged bankrupts.

Art. 7.—In case of conviction pronounced by a foreign Court, and which has become final, for an offence which, under French law, constitutes one of the felonies or misdemeanours specified in Article 6 of the present decree, the Police Tribunal of the domicile of the person concerned shall, at the request of the Public Attorney, after verifying the regularity and legality of the conviction (the party concerned having been summoned to the Council Chamber), direct that there is ground for application of the above mentioned disqualification.

Such disqualification shall apply to undischarged bankrupts, the bankruptcy of whom has been declared by a foreign jurisdiction when the adjudication in bankruptcy has been rendered enforceable in France. The application for confirmation may, but for that purpose only, be made before the Civil Tribunal of the domicile of the bankrupt, by the Public Attorney.

Art. 8.—Whosoever shall infringe the disqualification pronounced by Articles 6 and 7 of the present decree shall be punished with imprisonment for not less than six months and not more than two years, and a fine of 1,000 francs at least and 10,000 francs at most, or one of these two penalties only.

Art. 9.—Any person who has been convicted by application of Article 8 of the present decree, is debarred from being employed in any capacity whatsoever by the company in which he has exercised the prohibited functions.

In case of breach of such prohibition, the offender and his employer shall be punished with the penalties specified in Article 8.

Art. 10.—When a limited company or a company à responsabilité limitée is adjudicated bankrupt, the directors and managers may be declared by the Tribunal of commerce to have forfeited the right of administering or managing any company if grave faults have been committed by them.

Art. 11.—Immediately after acquiring knowledge of these faults, the trustee must make a report to the Judge Commissary, who will notify the facts to the President of the Tribunal of Commerce; the latter will inform the Procurator of the Republic, and will, if necessary, bring the matter before the Courts which, in that case will, by registered letters, sent by the Registrar eight days in advance at least, convene the parties and the trustee to appear before it.

Art. 12.—The parties must appear in person; nevertheless, in case of duly-proved hindrance, they may be represented by an attorney of their choice.

The Tribunal shall deal with the matter in public sitting, and after duly hearing the parties or their representative, may immediately pronounce the disqualification prescribed by Article 10 of the present law, or may suspend judgment.

Art. 13.—The judgments pronouncing the disqualification referred to in Article 10 shall be published by the trustee in the form of extracts inserted in the newspapers, both at the place where the bankruptcy of the company has been declared, and at the place of domicile of each of the persons against whom this measure has been ordered.

Art. 14.—The persons against whom the disqualification prescribed by Article 10 has been pronounced, may appeal by the modes of appeal provided in the Code of Commerce, with reference to judgments delivered in bankruptcy matters.

Art. 15.—If the Tribunal of Commerce has decided that there is no ground for application of the disqualification provided in Article 10, the Registrar shall, within three days, forward an extract of the judgment to the Procurator General, who may enter appeal from this decision within fifteen days of the judgment.

The appeal of the Public Attorney shall be given by notice to the parties concerned.

On the requisition of the Public Attorney to the Court of Appeal, the Registrar of the Tribunal of Commerce must, within eight days, forward the papers relating to the matter to the Registrar of the Court of Appeal.

The parties can appear personally or be represented by an *avoué* to the Court.

Art. 16.—Article 461 of the Code of Commerce is applicable to the costs entailed by the procedure established by the present law, exclusive of the costs incurred by the appeal of the Procurator General, by application of Article 15 above, which will be dealt with in the same way as costs incurred by the Public Attorney in criminal matters.

The fees due to the Registrars will be dealt with as in matters of bankruptcy.

Art. 17.—The penalties provided in Article 8 of the present decree shall be applied to anyone who has managed or administered a company, notwithstanding the disqualification pronounced by application of Article 10.

Art. 18.—Any person against whom the disqualification provided by Article 10 of the present decree has been pronounced can, on expiry of a period of five years, apply to the Court which ordered it for the withdrawal of the measure.

Art. 19.—All decisions entailing forfeiture of the right of managing or administering any company, pronounced by application of Article 10 of the present decree, shall be entered in the criminal record of the party concerned and set out in the forms Nos. 2 and 3.

Mention shall be made on form No. 1 of the decision of withdrawal of the disqualification pronounced by virtue

of Article 18. This entry must be inserted on form No. 2.

The disqualification shall cease to appear on form No. 3 after its withdrawal has been ordered in pursuance of the said Article.

Art. 20.—The provisions of the present decree are applicable to the directors and managers of existing companies at the time of its publication.

Art. 21.—This decree shall be submitted to the Chambers for ratification in conformity with the provisions of the law of June 8th, 1935.

Art. 22.—The President of the Council, Minister of Foreign Affairs, the Keeper of the Seals, Minister of Justice, the Minister of Finance, and the Minister of Trade and Industry, are entrusted each in so far as concerns him with the execution of the present decree, which shall be published in the "Journal Officiel."

Done in Paris, on the August 8th, 1935.

Second Decree

DECREE AMENDING THE LAW OF JULY 24TH, 1867, ON COMPANIES AS REGARDS THE PENAL RESPONSIBILITY OF THE DIRECTORS AND THE SELECTION AND DUTIES OF THE AUDITORS.

Art. 1.—Article 15 of the law of July 24th, 1867, is replaced by the following enactments:—

The penalties provided by Article 405 of the Penal Code, without prejudice to the application of this Article, shall be applied to all acts constituting the misdemeanour of fraud:

1.—Those who, in the notarial declaration referred to in Article 1 of the present law, have declared as true and genuine any subscriptions which they knew to be fictitious or who have falsely declared that funds which have not been definitely placed at the disposal of the company had been actually paid in.

2.—Those who by simulated subscriptions or payments or by publications made in bad faith, of subscriptions or payments which do not exist or of any other false facts, have obtained or attempted to obtain subscriptions or payments.

3.—Those who, in order to induce subscriptions or payments have, in bad faith, published the names of persons described in a manner contrary to the truth, as being or intended to be connected with the company in any capacity.

4.—The managers who, in the absence of an inventory or by means of fraudulent inventories, have effected the distribution of fictitious dividends among the shareholders.

5.—The managers who, even in the absence of any distribution of dividends, have knowingly published or presented to the shareholders, an inaccurate balance sheet, with a view to concealing the true position of the company.

6.—The managers who, in bad faith, have made use of the company's assets or credit for a personal object, which they knew to be contrary to the interest of the latter, or in order to favour another company, in which they were interested, directly or indirectly.

7.—The managers who, in bad faith, have made use of the powers which they possess or the votes at their disposal in that capacity for a personal object which they knew to be contrary to the interests of the company, or in order to favour another company, in which they were interested in any way.

The members of the Supervisory Council shall not be civilly responsible for the offences committed by the managers unless, having had knowledge thereof, they

have not disclosed them in their report to the general meeting.

Art. 2.—Article 45 of the law of July 24th, 1867, is replaced by the following enactments:

The provisions of Articles 13, 14, 15 and 16 of the present law are applicable in the matter of limited companies without distinction between those now in existence and those which shall be formed under the system of the present law. The provisions of the said Articles which relate to the managers of limited partnerships by shares shall be applicable to the directors of limited companies.

The provisions of the last three paragraphs of Article 10 are also applicable in the matter of limited companies.

Art. 3.—The following provisions are added to Article 4 of the law of July 24th, 1867:

The following cannot act as commissioners for the purpose of valuing assets transferred to the company or the consideration for the benefits stipulated to be given:

1.—The relatives by blood or marriage up to the fourth degree inclusive, or of the spouse:

- (a) of the assignors;
- (b) or of the founders, at the time of formation of the company;
- (c) or of the managers, at the times of increase of capital;

2.—Persons who, in any form whatsoever, receive a salary or a remuneration in respect of any employment or office other than that of commissioner:

- (a) from the assignors;
- (b) or at the time of formation of the company, from the founders, or from a company subscribing 10 per cent. of the capital of the company;
- (c) or at the time of increase of capital, from the managers or the company itself, or from any undertaking holding one-tenth of the capital of the company, or a tenth of the capital of which is possessed by the company.

3.—The persons who are disqualified from holding the office of manager or director or who have forfeited the right to exercise this office;

4.—The spouse of the above-mentioned persons.

If one of the above grounds of incompatibility should arise during tenure of office, the party concerned must immediately cease to exercise his office and inform the founders or managers, as the case may be, thereof, at latest fifteen days after such incompatibility has supervened.

A penalty of 1,000 to 20,000 francs shall be imposed upon any person who has knowingly accepted or retained the office of commissioner contrary to the provisions of the present Article.

Any resolution adopted by the meeting of shareholders on the report of a commissioner appointed or remaining in office in contradiction with the provisions of the present Article, shall not be annulled on the ground of a breach of these provisions.

Art. 4.—Articles * 32 to 34 inclusive of the law of July 24th, 1867, are replaced by the following enactments:

Art. 32.—The Ordinary General Meeting of shareholders appoints one or more auditors, whose task it is to verify the books, the cash, the holdings and

*Articles 32, 33 and 34 of the Law of July 24th, 1867, are reproduced on page 11.

securities of the company, to check the regularity and truthfulness of the inventories and the balance sheets and also the accuracy of the information given respecting the accounts of the company in the report of the Board of Directors.

They may at all times of the year carry out such verifications or checkings as they may think desirable. They may convene the general meeting of shareholders at any time in case of urgency.

In default of appointment of the auditors by the general meeting or in case of one or more of the auditors appointed being prevented or refusing to act, they shall be appointed or replaced by order of the President of the Tribunal of Commerce of the place of the registered office of the company, on the application of any interested party, the directors having been duly requested to attend.

The auditor appointed by the meeting to replace another shall only remain in office during the time which remains to run of the office of his predecessor.

Art. 33.—The following cannot be selected as auditors:

1.—The relatives by blood or marriage up to the 4th degree inclusive or the spouses of the directors or assignors.

2. Persons who, by reason of functions other than those of auditors, receive in any form a salary or a remuneration from the directors or from the company or from any undertaking holding one-tenth of the capital of the company, or of which the company possesses at least one-tenth of the capital;

3. The persons who are disqualified from holding the office of manager or director or who have forfeited the right to exercise that office;

4. The spouses of the persons above named.

If one of the grounds of incompatibility indicated above should supervene during tenure of office, the party concerned must immediately cease to exercise his functions and must inform the Board of Directors thereof fifteen days at latest after such incompatibility has supervened.

In companies by shares which invite public subscriptions, one of the auditors at least must be selected from a list prepared by a commission sitting in the chief town of the Court of Appeal within the jurisdiction of which the registered office of the company is situate.

This commission shall consist of four members:

1. A President or a Judge of the Court of Appeal who shall preside, with a casting vote;

2. A Judge of a Tribunal of first instance of the jurisdiction;

3. One of the Presidents of the Tribunal of Commerce of the jurisdiction;

These three members shall be appointed annually by the first President of the Court of Appeal, before January 1st;

4. The director of registration (Inland Revenue) exercising his functions in the department of the seat of the Court of Appeal.

If the meeting of shareholders of a company inviting public subscription has not appointed any auditor selected from this list, any shareholder may apply to the President of the Tribunal of Commerce, sitting in Chambers, the officers of the company having been duly summoned, to appoint an auditor chosen from the said list. This auditor shall have all the powers of an auditor appointed by the meeting. The duration of his office shall be three years.

The procedure to be followed by the commissions for the purpose of drawing up this list shall be determined by means of regulations of public administration. The same decree shall fix the disciplinary conditions to which the auditors thus recruited shall be subject.

The auditors whose names appear on the list of the Court of Appeal cannot exercise the functions of a company director.

The auditors cannot become directors of companies which they check less than five years after the expiry of their period of office. For the purposes of the present enactment, the following shall be considered as companies subject to their control:

1. Those in which the said company holds one-tenth at least of the capital at the time of cessation of the office of the auditor.

2. Those which hold one-tenth at least of the capital of the said company at the time of cessation of the office of auditor.

Any breach of the provisions of paragraphs 1, 2, 7 and 8 of the present Article shall entail a fine of 1,000 to 20,000 francs.

The resolutions adopted by the meeting of shareholders on the report of an auditor appointed or who has remained in office contrary to the provisions of the present Article cannot be annulled by reason of any breach of such provisions.

Art. 34.—At the close of each financial year, the Board of Directors shall prepare an inventory, a profit and loss account and a balance sheet. It shall furthermore prepare a report to the shareholders on the operations of the company during the expired financial year.

The inventory, the balance sheet and the profit and loss account must be placed at the disposal of the auditors forty days at least before the date of the general meeting.

The auditors shall prepare a report containing an account to be submitted to the general meeting of the execution of the mandate which it has entrusted to them, and it shall be their duty to point out any irregularities and inaccuracies which they may have observed. They shall, in addition, prepare a special report on the operations prescribed by Article 40 of the present law.

The resolution of the meeting containing approval of the balance sheet and accounts is void if it has not been preceded by the report or reports of the auditors made in conformity with the above provisions.

Punishment by imprisonment of one to five years and a fine from 1,000 to 20,000 francs, or one of these two penalties only, shall be imposed upon any auditor who has knowingly given or confirmed false information regarding the position of the company or who has not disclosed to the Procurator of the Republic the facts in the shape of offences of which he has had knowledge.

Article 378 of the Penal Code is applicable to the auditors.

Art. 5.—The provisions of Articles 3 and 4 of the present decree are applicable from the first financial year which shall begin three months after the publication of this decree to the share companies at present existing and which are subject to the provisions of the law of July 24th, 1867.

Nevertheless, those of the provisions of Article 4 which relate to companies inviting public subscriptions, shall be applicable only to the first corporate year which shall

begin six months after the publication of the decree referred to in that Article.

Art. 6.—This decree shall be submitted for the ratification of the Chambers in conformity with the provisions of the law of June 8th, 1935.

Art. 7.—The President of the Council, Minister of Foreign Affairs, the Keeper of the Seals, Minister of Justice, the Minister of Finance and the Minister of Commerce and Industry are entrusted, each in so far as concerns him, with the execution of the present decree which will be published in the "Journal Officiel."

Done in Paris, on August 8th, 1935.

Law of July 24th, 1867.

The following is the French Law relating to auditors hitherto in force, but now replaced by Article 4 of the foregoing Decree :—

Art. 32. The Annual General Meeting shall appoint one or more auditors, whether members or not, to make a report to the general meeting of the following year, on the situation of the company, on the balance sheet, and on the accounts presented by the directors.

The resolution approving the balance sheet and accounts is void if it has not been preceded by the report of the auditors.

In default of appointment of the auditors by the general meeting, or in case of prevention or refusal of one or more of the auditors appointed, their appointment or replacement shall be effected by order of the President of the Tribunal of Commerce of the place of the registered office of the company, on the application of any interested party, the directors having been duly called.

Art. 33. During the three months preceding the time fixed by the Articles for the holding of the general meeting, the auditors are entitled, whenever they think fit, in the interests of the company, to inspect the books and examine the operations of the company. They may always, in case of urgency, convene the general meeting.

Art. 34. Every limited company must, every half-year, get out a rough statement of its position as to assets and liabilities.

This statement shall be placed at the disposal of the auditors.

In addition, every year, in accordance with Article 9 of the Code of Commerce, an inventory shall be prepared containing details of the real and personal assets and all the debts payable by and to the company.

The inventory, the balance sheet and the profit and loss account shall be placed at the disposal of the auditors on the fortieth day at latest before the general meeting. They shall be presented to that meeting.

Chambers of Commerce Staffs.

In connection with the development of foreign trade, the Manchester Chamber of Commerce has raised the question of the training of the secretarial staffs of Chambers of Commerce, with a view to making provision for the thorough training of new entrants. The Executive Council of the Association of British Chambers of Commerce are being invited to consider what steps can be taken to this end and to facilitate ready promotion. It has been pointed out that while a course of training similar to that taken by a Chartered or Incorporated Accountant or a Chartered Secretary might prove useful to those taking up work with a Chamber of Commerce as a profession, further qualifications are necessary, and it is proposed that the Association should launch a modest scheme of training of its own.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to the Membership of the Society have been completed since our last issue :—

ASSOCIATES.

ALLEN, LEONARD FREDERICK, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

BILIMORIA, RUTTONJI MANECKJI, B.Com., formerly with Chandabhoy & Jassoobhoy, 43, Morarbhay Building, Apollo Street, Fort, Bombay.

BOUSTEAD, BASIL GEORGE JOHN, with Cedric H. Bennett High Holborn House, London, W.C.1.

BUXTON, EDWARD, with A. Cropp Hawkins & Co., Portland House, Church Street, Stoke-on-Trent.

COOPER, SORAB NOWROJI, B.Com., formerly with Sorab S. Engineer & Co., Morarbhoy Buildings, 45, Apollo Street, Fort, Bombay.

HARRIS, PHILIP ELGAR, with Russell, Fleming, Boys & Co., 94, Church Road, Hove.

ILLINGWORTH, RICHARD ALBERT, with Howard Howes & Co., Norfolk House, 28, Norfolk Street, Strand, London, W.C.2.

JACKSON, JOHN EDWARD, with W. H. Stables, 36, Finkle Street, Kendal.

JOHNSON, WILFRED THOMAS, formerly with Baker & Co., Lillie House, London Road, Leicester.

KIRKLAND, WILLIAM, County Treasurer's Office, County Council of the County of Lanark, Lanarkshire House, 191, Ingram Street, Glasgow.

LUSH, WILLIAM VAWDREY, with Hunt, Hopkins & Young, 3, Victoria Crescent, Bradford Road Junction, Portsmouth.

OLDHAM, JOHN, with Appleby & Wood, 40, Deansgate Arcade, Manchester.

OLIVER, JOHN EDWARD, with Lomax, Clements, Gladstone & Co., 10-13, Newgate Street, London, E.C.1.

PARK, ROBERT, Finance Department, Borough of Willesden, Town Hall, Dyne Road, Kilburn, London, N.W.6.

POOLE, PHILIP, Borough Treasurer's Department, Municipal Offices, Acton, London, W.3.

SKINNER, LEONARD BENNETT, with Spicer & Pegler, 19, Fenchurch Street, London, E.C.3.

SMITH, ARTHUR GEOFFREY BRADSHAW, formerly with W. G. Caldwell & Co., 27, Bold Street, Warrington.

STANTON, EDWIN WHITRIDGE, with F. W. Clarke & Co., 24-28, Corridor Chambers, Market Place, Leicester.

THAYER, CHARLES DUDLEY, with Langton & MacConnal, 22, Lord Street, Liverpool.

WAGSTAFF, FRANK GORDON, with Harper, Kent & Wheeler, Old Bank Buildings, Shrewsbury.

WARD, WILLIAM HERBERT, with Harvey Preen & Co., 17, Basinghall Street, London, E.C.2.

WHEAVER, TERENCE BARNES, with Tyler & Wheatcroft, Central House, 75, New Street, Birmingham.

WOOD, STANLEY ARTHUR, with T. Harold Platts & Co., 126, Colmore Row, Birmingham, 3.

WORDINGHAM, MADELINE, with Whale, Barnett & Co., Broad Street Avenue, Blomfield Street, London, E.C.2.

Reviews.

Guide for the Company Secretary. By Arthur Coles. 4th Edition by W. Cecil Wood, A.C.I.S. London: Sir Isaac Pitman, Parker Street, Kingsway. (504 pp. Price 6s. net.)

The aim and object of this book is to deal with the ordinary requirements of every-day routine in connection with the promotion and administration of companies. Every aspect of company administration is brought under review from the formation to the winding-up, and numerous forms are given such as are required by the company secretary in his every-day work. In the present edition additional information is included regarding stamp duties, and the general contents of the book have been considerably enlarged so as to supply information with regard to Statutory Companies under the Companies (Clauses) Act, 1845. The appendix contains a copy of the Companies Act, 1929, with an index, and the Companies (Clauses) Act, 1845. The volume thus constitutes a very complete handbook for company secretaries and others concerned with company affairs.

Bibliography of Works on Accounting by American Auditors. By H. C. Bentley, C.P.A., and Ruth S. Leonard, in two volumes. Boston (Mass.): Harry C. Bentley, 921, Boylston Street. (Price \$7.50.)

Anyone interested in American accountancy literature will find these volumes useful for the purpose of tracing works on any particular subject. Volume I relates to the period from 1796 to 1900, and is therefore not of very great practical interest at the present day. Volume II consists of two parts, the first a chronological list of works published during the twentieth century, and the second a classification of those works under subject headings.

Guide to Company Law. 3rd Edition. By R. W. Holland, M.A., LL.D., Barrister-at-Law. London: Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway. (256 pp. Price 3s. 6d. net.)

Without following the wording of the Companies Act this book sets out the principles of company law, giving references to the appropriate sections to enable further information to be found, if necessary. The matter is well classified and broken up into short paragraphs with headings. The book is divided into three main parts, the first dealing with the formation of a company, the second with government and administration, and the third with liquidation. The appendix contains particulars as to duties and fees, and specimens of the more important forms required.

A Notebook of Economics. By J. E. Jackson, B.Com. London: Gee & Co. (Publishers), Ltd., 6, Kirby Street, E.C.1. (168 pp. Price 5s. net.)

As the title indicates, this book consists of a series of notes suitable for study by examination candidates immediately before presenting themselves for examination. In other words it is a revision book, and from that point of view is well compiled. Blank pages have been provided for additional notes and a bibliography is given to help readers to select the most useful books for a more detailed study of the different branches of the subject.

Guide to Current Official Statistics of the United Kingdom. Volume 13. London: H.M. Stationery Office, Adastral House, Kingsway, W.C.2. (350 pp. Price 1s. net. By Post, 1s. 5d.)

This volume, which relates primarily to the year 1934, has been prepared by the Permanent Consultative Committee on Official Statistics, and its aim is to direct the enquirer to all current official publications that contain statistics bearing on his subject; and more especially to inform him of the nature of the statistics he will find in the volumes to which he is referred, i.e., their mode of analysis and the time and place to which they relate. In other words, the book provides a convenient means of finding the official statistics relating to any particular matter and ascertaining their nature.

BUILDING SOCIETIES AND INCOME TAX.

NEW ARRANGEMENT.

THE following is the text of a new Arrangement, Document No. 13A (1935), of the Board of Inland Revenue, which has been accepted by the Council of the National Association of Building Societies and recommended for adoption by all affiliated Societies.

It supersedes Arrangement No. 13A (1932), the text of which we published in our issue of October, 1932.

PART 1.—Assessment upon Society.

1. The Society consents to be directly assessed to income tax under Schedule D, for each year of assessment for which this Arrangement is in force, upon the following amounts:—

- (a) in respect of the liability of its investors to income tax on dividends or interest from the Society, upon the amount credited to investors in the Society's accounting year next preceding the year of assessment for or in respect of dividends or interest;
- (b) upon the amount of income tax paid by the Society for the year of assessment in which that accounting year ends in respect of the liability under (a) and (b) of this paragraph; and
- (c) upon the amount by which the whole profit, as hereinafter defined, of the Society for the same accounting year exceeds the sum of the amounts under (a) and (b).

RATES OF TAX.

2. The rates of tax to be charged will be:—

(I) the Standard Rate in respect of:—

- (a) dividends or interest mentioned in paragraph 1 (a) arising from:—
 - (i) any investment exceeding £5,000 and from any investments exceeding £5,000, in the aggregate, of any investor (husband and wife being treated as one person for this purpose);
 - (ii) any investment, of whatever amount, held by, or on account of, or in trust for any incorporated company or incorporated society (not being a company or society which is entitled to exemption from tax under Schedule D); and
- (b) the amount of the excess defined in paragraph 1 (c);

(II) a composite rate, as defined in paragraph 3, in respect of the balance of the dividends and interest mentioned in paragraph 1 (a) and in respect of the amount mentioned in paragraph 1 (b).

3. The composite rate shall be a rate bearing the same proportion to the Standard Rate as a rate of one shilling and eightpence in the £ bears to a rate of four shillings and sixpence in the £.

CALCULATION OF "WHOLE PROFIT."

4. The whole profit referred to in paragraph 1 (c) is to be ascertained by deducting the working expenses from the total income for the accounting year, in accordance with the rules governing the computation of liability to income tax under Case I of Schedule D, subject to the following provisions:—

- (a) Losses (or any profits) arising on the realisation of properties mortgaged to the Society will be included

in the computation, but any provision in anticipation of such losses or profits will be excluded.

- (b) Profits or losses arising on the realisation of investments will be excluded.
- (c) All rents received (including those from properties in possession) will be included, and rents paid will be allowed as a deduction.
- (d) No deduction will be allowed in respect of the annual value of property occupied by the Society.

SET-OFF OF TAXED INCOME.

5. Where the receipts of the Society for any accounting year include income upon which income tax has been paid at the source, the amount chargeable for the following income tax year at the Standard Rate will be reduced by the gross amount of the said income. Where that gross amount exceeds the amount chargeable at the Standard Rate, there will be deducted (so far as possible) from the amount chargeable at the composite rate an amount bearing the same proportion to the excess as the Standard Rate bears to the composite rate.

6. In any case where, after allowing the set-off provided for in the preceding paragraph, there remains a balance of the said taxed income, the Society may claim repayment on the amount of that balance at the Standard Rate of tax for the year of assessment in which the said accounting year ends.

SCHEDULE A.

7. All property owned by the Society, whether let or in its own occupation, and also all property in the hands of the Society, as mortgagee in possession, is, from the date of the Society's entering into possession, to be exempted from Income Tax, Schedule A, except in respect of ground or lease rents, if any.

PART II.—Liability of Investors.

8. Investors will be required to include dividends or interest in their returns of total income for income tax and sur-tax purposes. No charge to income tax will be made upon investors in respect of such income from the Society, but it will be included for the purpose of charging sur-tax.

9. No repayment of tax will be made in respect of income derived from investments with the Society, and the Society will not issue any certificates of payment of tax in respect of such income.

PART III.—Mortgage Interest Paid to the Society.

10. A borrowing member who has no taxable income is not to be charged for such mortgage interest.

- 11.—(a) A borrowing member who has taxable income is to be relieved from the tax applicable to such mortgage interest. Relief will be allowed by the Inspector of Taxes upon a certificate, sent to him by the Secretary of the Society, of the amount of mortgage interest paid.
- (b) For mortgages taken out before April 1st, 1935, the certificate shall be given for the annual period corresponding to that adopted for 1934-35.
- (c) For mortgages taken out on or after April 1st, 1935, the certificate shall be given for the income tax year.
- (d) For all mortgages :
 - (i) In the first and last years of a mortgage the certificate shall be given as soon as practicable after commencement or termination, as the case may be.
 - (ii) In other years the Society shall certify annually, not later than June 15th (1) the interest to be paid in the current year (so that provisional relief may be granted accordingly) ; and (2) the interest actually paid in the year immediately

preceding. Where under (1) an exact forecast of the interest is not possible, an estimate shall be made upon a fair and reasonable basis.

Exceptions :

- (i) For the year 1935-36 such certificates shall be furnished as early as possible after the acceptance of this Arrangement by the Society.
- (ii) In those "Open Account" cases where such estimates are impracticable, local arrangements shall be made with a view to certificates being given as early as possible.

PART IV.—General.

12. A certificate by the auditor of the Society will be required of the accuracy of the amounts returned for Schedule D assessment. The Society agrees to furnish a copy of its statutory annual account and statement to the Inspector of Taxes for the district in which its head office is situated, and also to permit any duly appointed officer of the Commissioners of Inland Revenue to test the accuracy of the amounts returned or to verify the correctness of any certificate given under the Arrangement, by inspection of the books and accounts of the Society.

13. The Society undertakes for the purposes of paragraph 2 (a) :—

- (a) to require, in the case of each new or additional investment of £500 or more, a declaration sufficient to establish whether the rate of tax to be charged in respect of the dividends or interest is the Standard Rate or the composite rate ; and
- (b) to make such arrangements as may be practicable for the aggregation of all accounts of the same investor and of husband and wife, whether such accounts are in the same or in different branches or departments of the Society.

14. This arrangement will operate for the period of four years ending on April 5th, 1939, and from year to year thereafter until discontinued by notice in writing given by the Board of Inland Revenue or by the Society. Such notice shall be given at a date between April 6th and July 6th, and shall take effect as from April 6th following the date of notice.

The Society will facilitate statistical investigation by the Inland Revenue Department of the working of the Arrangement by furnishing extracts of the payments of dividends or interest for the Society's year ending within the income tax year 1937-38, and, so long as the Arrangement continues in operation, by furnishing similar extracts at four-yearly intervals thereafter. These extracts will give the name and address of each investor, the amount of his investment, and the amount of dividends or interest thereon, where the investment amounts to £1,000 or more, and similar particulars for a 5 per cent. sample of investments below £1,000.

15. It is understood :—

- (a) That the adoption of the Arrangement does not prejudice the right of the Society to appeal to the General or Special Commissioners if any dispute arises as to the computation of the whole profit (e.g., a dispute as to the admissibility of an item of expenditure as a deduction in the computation), and that, on the hearing of any such appeal, or in any subsequent proceedings, the Society will not dispute its liability to be assessed in accordance with the Arrangement or otherwise impugn the validity of the Arrangement ;
- (b) That in the computation of the Society's liability to tax all the provisions of the Income Tax Acts applicable to the computation of liability under

Case I of Schedule D will be applied, so far as those provisions are not inconsistent with the terms of the Arrangement; and

- (c) That in any case (e.g., that of a Society newly set up or ceasing) where the basis of liability under Case I of Schedule D would not be the profits of the accounting year ending in the year preceding the year of assessment, the appropriate provisions of the Income Tax Acts as to the basis will be applied and the Arrangement will be modified accordingly.

16. *Investor* includes any shareholder, depositor or lender.

Dividends or interest includes interest, bonus and any other distribution in respect of shares, deposits or loans.

Investment includes any share, deposit, loan or other similar account.

We desire to adopt the above Arrangement, and hereby undertake to abide by the same.

On behalf of.....

.....Chairman.
.....Secretary.

Dated.....

Notes on the New Arrangement.*

(Prepared under the instructions of the Income Tax Committee of the Association by Mr. F. J. Cooksey.)

In considering the text of the New Arrangement it should be clearly understood that, apart from changes which are indicated in the new form of Arrangement, the 1935 Arrangement is to be regarded in all respects as a continuity of the 1932 Arrangement, and that there is, in consequence, no break as was the case when Arrangement B was superseded by the 1932 Arrangement. The special difficulties experienced by some Societies as a direct result of that break should not, therefore, again be experienced in adopting the 1935 Arrangement and the computations of income tax liability will continue to be made upon the same basis as under the 1932 Arrangement except as regards specific modifications under the 1935 Arrangement.

The 1935 Arrangement is not limited in operation to a period of three years as was the 1932 Arrangement. Under paragraph 14 it is to operate for at least the four years ending on April 5th, 1939, and from year to year thereafter, subject to notice in writing of the desire to discontinue being given by the Society or the Board of Inland Revenue within the specified period.

As in the case of the 1932 Arrangement, Societies will be required to "contract into" the new Arrangement by signing the undertaking to be found at the end of the printed form of Arrangement. The acceptance of the Arrangement by the Board of Inland Revenue is dependent upon a certain minimum percentage of Building Societies agreeing to adopt it; accordingly, unless the Arrangement is adopted to that extent the Board of Inland Revenue may refuse to proceed with it.

The income tax liability of a Society which does not adopt the 1935 Arrangement is regarded by the Board of Inland Revenue as assessable on the following lines:—

- (a) The full profits of the Society, including all sums put to reserve and all sums distributed by way of dividends and interest, would be subject to income tax at the full standard rate.
- (b) It would be open to the Society to exercise its legal rights in regard to deduction of income tax on

payment of dividends and interest, and it would then be for the individual shareholder or depositor who has borne income tax by deduction to obtain any relief to which he might be entitled.

- (c) Income tax would be deductible from all payments of interest on advances made by the Society and would be accountable by the borrower to the Inland Revenue.

- (d) There would appear to be no provision under which a Building Society standing outside the Arrangement would be entitled to deduct its working expenses.

The following notes are submitted in explanation of the new features of the 1935 Arrangement, and of certain questions which have been raised with regard to features of the 1932 Arrangement, which are not altered under the 1935 Arrangement.

PART I.—Assessment upon the Society.

Paragraph 1 (a).

Interest credited on the internal investment of an approved Superannuation Fund of a Society is to be included in the liability under paragraph 1 (a), but is chargeable at the composite rate, even where the "investment" exceeds £5,000. It is not to be treated as exempt from tax for the purpose of computing the tax payable at the composite rate as it has already been included in the exempt class in arriving at the amount of the composite rate itself.

Paragraph 1 (b).

This contains the principal new feature in the 1935 Arrangement. Its purpose is to bring into charge to income tax not only the distributions of Societies to their members and depositors, by way of dividends and interest credited to them, but also the income tax borne by societies in respect of such distributions. This income tax constitutes in effect a further distribution of dividends and interest, and it is accordingly to be treated as part of the distribution in respect of which the Society undertakes to pay the tax on behalf of its investors, at the composite rate mentioned in paragraph 2 (II).

Such income tax will, therefore, be treated as a deduction in computing the excess which is chargeable to income tax under paragraph 1 (c). This treatment will first apply to the computation of liability for 1935-36 so as to bring into charge to income tax, at the new composite rate, the amount of income tax paid by Societies for 1934-35 (that being the year of assessment in which the accounting year governing 1935-36 ends) upon distributions to investors in the Society's accounting year ending within the year 1933-34 (that being the accounting year which governed the 1934-35 assessment). For 1936-37, and subsequently, however, the amount upon which income tax has to be paid under paragraph 1 (b) will include the income tax paid for the preceding year, both under paragraphs 1 (a) and 1 (b), as shown in the computation for 1936-37 included in the examples appended to these notes.

For the purpose of this paragraph that portion of the tax due under paragraphs 1 (a) and 1 (b) of the Arrangement, which has been satisfied by set-off of taxed income under paragraph 5, should be treated as a payment of tax.

Paragraph 1 (c).

The surplus of the "whole profit," as defined in paragraph 4, over the distributed income, is chargeable at the Standard Rate subject to allowance for taxed income in accordance with paragraph 5. The income tax paid by a Society on behalf of its investors, whether under

*We publish these notes by kind permission of the "Building Societies' Gazette."

paragraph 1 (a), paragraph 1 (b), or both, is to be regarded for this purpose as distributed income.

Where there is no amount chargeable under paragraph 1 (c) owing to the deduction from whole profit of the amounts chargeable under paragraphs 1 (a) and 1 (b) resulting in a deficiency, such deficiency may be carried forward and set-off against amounts chargeable under paragraph 1 (c) during the six years specified by sect. 33 of the Finance Act, 1926, which governs the carry-forward of losses in the case of ordinary trading concerns. The set-off of such deficiency is to be made before applying the set-off of taxed income as provided in paragraph 5 of the Arrangement.

Paragraph 3.

This defines the new composite rate. With the Standard Rate at 4s. 6d. in the £, this rate is to be 1s. 8d. in the £, and the composite rate will vary from 1s. 8d. in the £ in proportion as the Standard Rate is varied from 4s. 6d. in the £.

Paragraph 4.

Transfers to and from Reserves.

A transfer of profit to reserve cannot be treated as a distribution, but is to be treated as part of the whole profit, and it is accordingly chargeable at the Standard Rate.

A subsequent transfer from reserve for distribution by way of dividend, interest or bonus will be included in the distributions of the appropriate accounting year and charged at the composite rate, or the Standard Rate, as the case may be. At the same time the surplus of that accounting year chargeable at the Standard Rate is reduced by the amount of the transfer, since the surplus in such a case, will be computed by deducting all the distributions for that year, including the distributions from the income of previous years represented by the transfer. It will be seen, therefore, that, although the transfer to reserve is taxed at the Standard Rate when it is made, it is subsequently relieved of tax at the Standard Rate. Consequently, tax is ultimately paid at only the composite rate on a transfer to reserve to the extent that it is subsequently distributed to investors whose interest or dividends are chargeable at that rate.

Income Tax on Surplus.

Income tax, except that in respect of distributed income and the tax which is also regarded as distributed income in accordance with paragraph 1 (b), is not allowed as a deduction.

Subscriptions to the National Association of Building Societies.

These subscriptions will be allowed as a working expense, as the National Association has entered into the usual income tax arrangement with the Board of Inland Revenue.

Bank Interest Paid.

This is allowable as a working expense under the general practice in computations of income tax under Schedule D, and it is not to be regarded as an amount credited to an investor for the purpose of Paragraph 1 of the Arrangement.

Paragraph 4 (a).

It may appear incongruous to mention profits in relation to the realisation of mortgaged properties, but the word "profits" here refers to interest not included in the Society's income charged to tax under paragraph 1 (c), but retained in settlement on mortgaged property going out of possession and to the exceptional cases where property is realised after absolute ownership has been obtained. Any provision in anticipation of profit or

loss on realisation of property mortgaged to a Society is to be excluded from the computation of whole profit.

Paragraph 4 (c).

Income from rents, after deduction of ground or lease rent (gross in each case), and any other expenses of a revenue nature, not debited in the Society's working expenses, of properties in possession is, where exemption from Schedule A income tax has been granted in accordance with paragraph 7, to be included in the computation of whole profit, but interest accruing due during the period of possession is to be excluded. Any interest ultimately recovered in excess of the rents so credited should then be included in the computation.

Where, however, a receiver is appointed, the interest should be included (but not rents) and Card 13 completed for the amount of the interest in the ordinary course in order that relief from tax may be given on the amount of the interest.

Paragraph 4 (d).

As property owned by a Society which is charged to income tax under this Arrangement is exempt from Schedule A income tax, rents received from the portions let must be included in accordance with paragraph 4 (c).

Paragraph 6.

The provisions of this paragraph are intended to make clear the right of a Society to claim repayment of income tax in those cases where, after the operation of paragraph 5, there still remains a balance of taxed income of the accounting year preceding the year of assessment. In such cases repayment of income tax upon this balance may be claimed for the year of assessment in which the accounting year ends, and at the Standard Rate of income tax for that year of assessment. For example, if the accounting year to December 31st, 1934, shows such balance of taxed income, repayment of 1934-35 tax at 4s. 6d. in the £ may be claimed on that balance, but no adjustment of the 1935-36 computation need be made in consequence of this repayment.

Paragraph 7.

The exemption from Schedule A income tax of property in the hands of a Society only relates to the period from the date the Society entered into possession. It does not operate so as to give exemption in respect of arrears of Schedule A income tax recoverable on a property of which possession is taken. Such arrears of Schedule A tax, if paid or suffered by the Society, will be charged up to the mortgagor and taken into account in computing the profit or loss (under paragraph 4 (a)) on realisation of the property.

PART II.—Liability of Investors.

Paragraphs 8 and 9.

Although the dividends or interest are to be included in investors' returns of total income for income tax and sur-tax purposes, and no repayment of tax will be made in respect of such dividends or interest, the dividends and interest are to be taken into account in computing total income in claims for allowance for life insurance or old age relief, but no addition of tax is required to be made for income tax or sur-tax purposes.

PART III.—Mortgage Interest paid to the Society.

Paragraph 11.

This provides for a changed method of furnishing particulars on Card 13 of mortgage interest paid by borrowers, and it is intended to enable Inspectors of Taxes to have demand notes in respect of mortgaged property issued for the net tax payable, after allowance of mortgage interest, before the tax is due for payment on January 1st, instead of the demand notes being issued in a large number of cases, as now, for the full amount of

the tax which has to be corrected afterwards. It will not be possible at this late date to give full effect to this new method for 1935-36, but the estimates of the interest for the following year, which are now to be given, will enable the Schedule A demand notes for 1936-37 and future years to be correctly prepared.

The new method is intended also to overcome the objection which is made by mortgagors to the non-allowance for the full amount of the mortgage interest for the income tax year in which the mortgage is taken out, and often for the following year, owing to the present practice of furnishing certificates for the accounting year. Accordingly, the Cards 13 for all mortgages taken out on or after April 1st, 1935, are to show the interest for the income tax year, which may normally be taken for convenience as ending on March 31st, instead of April 5th.

The new method for the furnishing of certificates on Cards 13 is set out fully on the three following pages, and information is there given as to the approximate basis for estimates and as to local arrangements to be made with the Inspector of Taxes in "open account" cases in which such estimates are impracticable.

It will be observed that after 1935-36 a lengthy time is allowed (up to June 15th after the end of the year of assessment) for the furnishing of certificates except in the case of new mortgages taken out, or mortgages paid off, during the year of assessment.

PART IV.—General.

Paragraph 14.

It should be particularly noted that for the periodical statistical investigations a 5 per cent. sample of cases where the investment is less than £1,000, in place of the 3 per cent. sample specified in the 1932 Arrangement, will be required, as the larger number of samples will enable a more accurate estimate of the true average liability of investors to be made.

Paragraph 15.

This makes clear the right of a Society to appeal to the General or Special Commissioners on any question affecting the computation of the whole profit. This computation is to follow the ordinary rules applicable to Case I of Schedule D except where they have been specifically modified or adapted by the Arrangement. Consequently, if any question or dispute arises as to the admissibility of an item of expenditure, this may be submitted on appeal to the General or Special Commissioners; but this right of appeal does not extend to questions arising on the interpretation of the Arrangement itself.

Income Tax.—Cards 13.

OLD MORTGAGES,

i.e., in existence on March 31st, 1935.

Allowances to be made to Borrowers by the Income Tax Authorities :

1935-36 : On interest paid by the borrower for the Society's accounting year ending in the fiscal year 1935-36.

1936-37 : On the estimated interest to be paid by the borrower for the Society's accounting year ending in the fiscal year 1936-37.

Thereafter : On the estimated interest payable for the Society's accounting year ending in the fiscal year in question.

NOTE.—The Inspector of Taxes will arrange with the mortgagor as to the proper adjustment if the actual interest paid differs materially from the estimated interest.

Procedure required from Societies :

Annuity or Fixed Instalment System :

1935-36 : Return by the usual date, as agreed with the District Inspector of Taxes, Card 13 showing :—

- (a) The actual interest paid by the borrower for the Society's year ending in 1935-36 ; and
- (b) The estimated interest to be paid by the borrower for the Society's year ending in 1936-37. ((b) can be done later, but not later than June 15th, 1936.)

1936-37 and subsequent years : Return Card 13, not later than June 15th *after* the end of the year of assessment showing :—

- (a) The actual interest for the Society's past year ; and
- (b) The estimated interest for the Society's current year.

Open Account System :

Where no reliable estimate can be given, a return of the actual interest charged during the Society's accounting year as at present, but, in addition, the Society will notify on Card 13, when next returned to the Inspector of Taxes, particulars of special repayments of £100 or more.

NEW MORTGAGES,

i.e., Created after March 31st, 1935.

Allowances to be made to Borrowers by the Income Tax Authorities :

On the interest paid for the year ending March 31st.

Procedure required from Societies :

Annuity or Fixed Instalment System :

As soon as possible after the creation of the mortgage, Card 13 to be sent in showing estimated interest to the following March 31st.

Not later than June 15th annually, Card 13 to be returned showing :—

- (1) The actual interest for the year to the previous March 31st.
- (2) The estimated interest for the year ending March 31st following.

Open Account System :

Where no reliable estimate can be given, the Society to return the actual interest for the Society's accounting year and particulars of special repayments of £100 or more.

NOTE.—There will be no need for an undertaking on the mortgage application form in respect of mortgages created after March 31st, 1935.

ESTIMATES.

All estimates which need only be on a fair and reasonable approximation whether for "old" or "new" mortgages—to be rounded to the nearest £. In old mortgage cases the old cards may continue to be used, and figures for estimates may be inserted in the column headed "Parish"; new cards with two money columns will be brought into use as and when the old cards are filled up. New and distinctively coloured cards will be used for new mortgages. Where a Society calculates interest at monthly or any other rests less than annual, the estimates can be the "gross interest" of the current year *less* an amount equal to the rebate of the previous year. (For this purpose "gross interest" means interest based on annual rests, and "rebate" means the difference between such gross interest and the actual net interest charged.)

PAID-OFF MORTGAGES.

Upon the discharge of a mortgage, the Society to notify the authorities immediately on a special form : 13X—

- (1) The date paid off.
- (2) Interest from the end of the last period for which actual interest was returned on Card 13 to the date of discharge.

AN EXAMPLE OF THE COMPUTATIONS OF THE INCOME TAX LIABILITY OF A SOCIETY UNDER THE 1935 ARRANGEMENT.

The following computations show the Income Tax liability of a specimen Building Society for the three years 1934-35 to 1936-37 inclusive. The computation for the year 1934-35, the last year under the 1932 arrangement, is included in order to show the continuity of the 1935 arrangement.

"X" BUILDING SOCIETY.
YEAR ENDED DECEMBER 31ST, 1933.

Profit and Loss Account.

	£		£
General Expenses	10,000	Interest on advances	100,000
Depreciation of offices, &c. .. .	500	Taxed Income (gross)	£4,400
Interest on Deposits	5,000	Tax deducted	1,100
Income Tax	7,000		3,300
Balance to Appropriation Account .. .	84,800	Bank Interest	1,500
		Fines, Fees, &c.	2,000
		Profit on investments realised	500
	<u>£107,300</u>		<u>£107,300</u>

Appropriation Account.

	£		£
Dividends	60,000	Balance forward from 1932	1,200
Losses on Mortgaged Property realised .. .	500	Profit from Profit and Loss Account .. .	84,800
Contribution to reserve	20,000		
Balance forward to 1934.. .. .	5,500		
	<u>£86,000</u>		<u>£86,000</u>

MEMO 1.

	£
Distributions for the year £5,000 plus £60,000=	65,000
Of this there is on investments of Companies and over £5,000	2,000
On investments not exceeding £5,000	63,000
	<u>£65,000</u>

MEMO 2.

	£
The income Tax charged in the account is:—	
Computed on Distributions	6,000
" " Surplus	£2,000
Less: Set-off for Taxed Income	1,000
	<u>1,000</u>
	<u>£7,000</u>

INCOME TAX COMPUTATION, 1934-35.

YEAR ENDED DECEMBER 31ST, 1933.

	<i>Last year under 1932 Arrangement</i>		<i>Last year under 1932 Arrangement</i>
	£		
Balance per Profit and Loss Account	84,800	CHARGE 1934-35.	
Add: Depreciation	500	At Standard Rate: £26,200 @ 4s. 6d. ..	5,895
Interest on Deposits	5,000	2,000 @ 4s. 6d. ..	450*
Income Tax	7,000		6,345
Income Tax on dividends received 1,100		Less: Taxed income (gross) £4,400 @ 4s. 6d. ..	990
	<u>13,600</u>		5,355
	98,400	At 2-5ths Standard Rate: £63,000 @ 1s. 9.6d. ..	5,670*
			<u>£11,025</u>
Deduct: Profit on investments realised ..	500		
Losses on properties realised ..	500		
Income Tax on distributions before set off of Taxed Income (see Memo. 2)	6,000		
	<u>7,000</u>		
	91,400		
Less: Wear and Tear allowance on office Furniture and Fittings (assuming wear and tear and not renewals basis has been adopted)	200		
	<u>91,200</u>		
Whole Profit	91,200		
Distributed: Charge at Composite Rate ..	63,000		
" " Standard Rate ..	2,000		
	<u>65,000</u>		
Undistributed charge at Standard Rate ..	26,200		

* This Income Tax £450 plus £5,670 = £6,120 is that which is itself subject to Income Tax under Paragraph 1 (b) for 1935-36.

YEAR ENDED DECEMBER 31ST, 1934.

Profit and Loss Account.

	£		£
General Expenses	11,000	Interest on Advances .. .	110,000
Depreciation of Office Fittings, &c. .. .	500	Taxed Income (gross) .. .	£9,000
Interest on Deposits .. .	5,500	Tax deducted .. .	2,100
Income Tax .. .	11,045		6,900
Loss on Realisation of Investments .. .	255	Bank Interest .. .	2,000
Balance to Appropriation Account .. .	91,100	Fines, Fees, &c. .. .	500
	<u>£119,400</u>		<u>£119,400</u>

Appropriation Account.

	£		£
Dividends .. .	82,000	Balance from 1933 .. .	5,500
Losses on Mortgaged Property realised .. .	1,000	Profit for year from Profit and Loss Account .. .	91,100
Contribution to Reserve .. .	10,000		
Balance forward to 1935.. ..	3,600		
	<u>£96,600</u>		<u>£96,600</u>

MEMO. 1.

Distributions for the year £5,500 plus £82,000=	£87,500
Of this there is on investments of Companies and over £5,000 .. .	7,500
On investments not exceeding £5,000 .. .	80,000
	<u>£87,500</u>

MEMO. 2.

The Income Tax charge in the account is :—	
1934-35 } Computed on distributions	
Income } (Paragraph 1 (a)) £6,120	
Tax } " on surplus	
} (Paragraph 1 (c)) 5,895	12,015
Less : Set-off for taxed income (1933 taxed income £4,400) @ 4s. 6d.	990
	<u>11,025</u>
Provision for Contingencies .. .	20
	<u>£11,045</u>

INCOME TAX COMPUTATION, 1935-36.

	First year under 1935 Arrangement		Charge at composite rate on :	£	Tax. £ s. d.
Year ended December 31st, 1934 :	£	£	(i) Distributions on Investments not exceeding £5,000.. ..	80,000	6,666 13 4
Balance per Profit and Loss Account .. .	91,100		(ii) Income Tax paid by Society on dividends and interest credited to Society's investors for the year of assessment 1934-35 .. .	6,120	510 0 0
Add : Depreciation .. .	500			<u>86,120</u>	
Interest on Deposits .. .	5,500		Charge at Standard Rate on :		
Income Tax .. .	11,045		(iii) Distributions on investments of Companies and over £5,000 .. .	7,500	1,687 10 0
Loss on Realisation of Investments .. .	255			<u>93,620</u>	
Income Tax suffered on Dividends .. .	2,100		(iv) Excess of whole profit over (i), (ii) & (iii) (i.e. £109,300—£93,620) .. .	15,680	3,528 0 0
	<u>19,400</u>				<u>12,392 3 4</u>
Deduct : Losses on Properties realised .. .	1,000		Less : Taxed Income £9,000 @ 4s. 6d... ..	2,025	0 0
	<u>109,500</u>				<u>£10,367 3 4</u>
Less : Wear and Tear allowance .. .	200				
Whole Profit .. .	<u>£109,300</u>				

This will be represented by an assessment of £46,076 chargeable at the Standard Rate.

NOTE.
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* For
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† This

YEAR ENDING DECEMBER 31ST, 1935.

Profit and Loss Account.

	£		£
General Expenses	12,500	Interest on Advances	115,000
Depreciation of Office Fittings	600	Taxed Income (gross)	£15,000
Interest on Deposits	7,000	Tax deducted	3,375
Income Tax	10,500		11,625
Loss on Realisation of Investments	1,400	Bank Interest	1,375
Balance to Appropriation Account	96,300	Fines, Fees, &c.	300
	<u>£128,300</u>		<u>£128,300</u>

Appropriation Account.

Dividends	95,000	Balance from 1934	3,600
Losses on Mortgaged Property realised	2,000	Profit for year from Profit and Loss Account..	96,300
Transfer to Reserve	1,000		
Balance forward to 1936.. .. .	1,900		
	<u>£99,900</u>		<u>£99,900</u>

MEMO. 1.

Distributions for the year £7,000 plus £95,000 = £102,000

Of this there is on investments of Companies and over £5,000	6,000
On investments not exceeding £5,000	96,000
	<u>£102,000</u>

MEMO. 2.

The Income Tax charged in the Account is:

Computed on Distributions	
(Paragraph 1 (a)) 1935-36	£6,666 13 4
	1,687 10 0
	<u>8,354 3 4</u>
Computed on Amount under Paragraph 1 (b) 1935-36..	510 0 0
	<u>8,864 3 4</u>
Computed on Surplus (Paragraph 1 (c)) 1935-36 ..	3,528 0 0
	<u>12,392 3 4</u>
Less: Set-off for Taxed Income ..	2,025 0 0
	<u>10,367 3 4</u>
Provision for Contingencies	132 16 8
	<u>£10,500 0 0</u>

INCOME TAX COMPUTATION, 1936-37.

Second year under the 1935 Arrangement.		Charge at *Composite Rate on:		Tax.	
Year ended December 31st, 1935:	£		£	£	s. d.
Balance per Profit and Loss Account	96,300	(i) Distributions on Investments not exceeding £5,000	96,000 @ 1s. 8d.	8,000	0 0
Add: Depreciation of Office Fittings	600	(ii) Income Tax paid for 1935-36 on distributions and Paragraph 1 (b)	8,864 @ 1s. 8d.	738	13 4
Interest on Deposits..	7,000		<u>104,864</u>		
Income Tax	10,500	Charge at *Standard Rate on:			
Loss on Realisation of Investments	1,400	(iii) Distributions on Investments of Companies and over £5,000	6,000 @ 4s. 6d.	1,350	0 0
Income Tax suffered on Dividends	3,375		<u>110,864</u>	†10,088	13 4
	<u>22,875</u>	Whole Profit	<u>116,900</u>		
	119,175	(iv) Excess of Whole Profit over (i), (ii) & (iii) ..	£6,036 @ 4s. 6d.	1,358	2 0
Deduct: Losses on property realised	2,000		<u>£11,446 15 4</u>		
	117,175	Less: Set-off for Taxed Income £15,000 @ 4s. 6d.	3,375	0 0	
Less: Wear and Tear allowance	275		<u>£8,071 15 4</u>		
Whole Profit	<u>£116,900</u>	Total Income Tax Liability for 1936-37			

This will be represented by an assessment of £35,874, chargeable at the Standard Rate.

NOTE.—In the above computation the amount chargeable at the Standard Rate, £12,036, comprising (iii) and (iv), is exceeded by the gross amount of the taxed income, £15,000. The Income Tax on the excess, at the Standard Rate, is set against the Income Tax on amounts chargeable at the composite rate, this being equivalent to the set-off provided in paragraph 5 of the Arrangement.

* For the purpose of this computation it is assumed that the Standard Rate of Income Tax for 1936-37 will be 4s. 6d. in the £.

† This amount, £10,088 13s. 4d., is that which will be assessable for 1937-38 under paragraph 1 (b).

FORTHCOMING EVENTS.

- 1935.
- Oct. 1st. London Students' Society. At Incorporated Accountants' Hall, at 6.15 p.m. Lecture by Mr. J. Gibson Jarvie on "Medium and Long Term Credit for Industry."
Newcastle-upon-Tyne District Society. At Newcastle, at 6.30 p.m. Lecture by Mr. R. M. Beckwith, on "Executorship Law."
- Oct. 2nd. Bradford and District Society. At Bradford, at 7.30 p.m. Lecture by Mr. R. Cleworth, Barrister-at-Law, on "The Law of Contract," Part I.
- Oct. 3rd. Burnley Students' Society. At Burnley, at 7.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Important Points in Contract Law—Little things the Student Overlooks."
- Oct. 4th. Devon and Cornwall District Society. At Plymouth, at 7.15 p.m. Inaugural Dinner.
- Oct. 7th. Dublin Students' Society. At Dublin, at 6 p.m. Social Evening.
- Oct. 8th. Devon and Cornwall District Society. At Plymouth, at 6.30 p.m. Lecture by Mr. C. E. Perry, F.S.A.A., F.C.A., on "Auditing Case Law."
Leicester and District Society. At Northampton, at 6 p.m. Lecture by Mr. C. G. Woodifield on "Income Tax Principles as illustrated by recent High Court Decisions."
Liverpool District Society. At Liverpool, 6.15 p.m. Lecture by Mr. Harold Macmillan, M.P., on "Industrial Reorganisation."
London Students' Society. At Incorporated Accountants' Hall, at 6.15 p.m. Lecture by Mr. A. V. Hussey, A.S.A.A., on "Some Interesting Points on Insolvency Practice."
- Oct. 9th. Bradford and District Society. At Bradford, at 7.30 p.m. Lecture by Mr. R. Cleworth, Barrister-at-Law, on "The Law of Contract," Part II.
Leicester District Society. At Leicester, at 6 p.m. Lecture by Mr. C. G. Woodifield on "Income Tax Principles as illustrated by recent High Court Decisions."
North Lancashire District Society. At Preston. Lecture by Mr. W. W. Bigg, F.C.A., F.S.A.A., on "Branch Accounts."
- Oct. 10th. London and District Society. At the Hotel Victoria, W.C., at 1 p.m. Luncheon to Mr. R. Wilson Bartlett, J.P., F.S.A.A., President of the Society of Incorporated Accountants.
Nottingham, Derby and Lincolnshire District Society. At Nottingham, at 6.30 p.m. Lecture by Mr. C. G. Woodifield on "Income Tax."
- Oct. 11th. Manchester and District Society. At Manchester, at 6.15 p.m. Students' Mock Company Meeting.
- Oct. 14th. Hull District Society. Student's Meeting. At Brough, at 7.15 p.m. Lecture by Mr. W. Taylor, F.C.W.A., on "Costs in Relation to Works Management and Materials."
Sheffield District Society. At Sheffield. Lecture by Mr. A. B. Griffiths, F.S.A.A., F.I.M.T.A., on "Municipal Accounts."
Newcastle-upon-Tyne District Society. At Middlesbrough, at 7 p.m. Lecture by Mr. T. E. Dent, F.S.A.A., on "Depreciation."
- Oct. 15th. London Students' Society. At Incorporated Accountants' Hall, at 7.30. Dance.
Newcastle-upon-Tyne District Society. At Newcastle, at 6.30 p.m. Lecture by Mr. R. M. Beckwith, on "Executorship Law."
- Oct. 16th. Bradford and District Society. At Bradford, at 7.30 p.m. Lecture by Mr. R. Cleworth, Barrister-at-Law, on "Bills of Exchange."
- Oct. 18th. Liverpool and District Society. At Liverpool, at 6.15 p.m. Lecture by Mr. A. S. Wade, City Editor, the *Evening Standard*, on "Foreign Exchanges."
Nottingham, Derby and Lincoln District Society. At Nottingham, at 6.30 p.m. Lecture by Mr. C. J. Danbury on "Public Speaking and Conduct of Meetings."
Devon and Cornwall District Society. At Exeter, at 6.30 p.m. Lecture by Mr. F. J. Bryan, Inspector of Taxes, on "Income Tax Practice."
North Staffordshire District Society. At Hanley, at 6.30 p.m. Lecture by Sir Thomas Keens, F.S.A.A., on "More About Business Accounts and How to Read Them."
Birmingham and District Society. At Birmingham. Lecture by Mr. C. G. Woodifield, on "Income Taxation Principles, as illustrated by recent Decisions in the High Court."
- Oct. 22nd. Leicester District Society. At Leicester, at 6 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Trusts and Trustees."
London Students' Society. At Incorporated Accountants' Hall, at 6.15 p.m. Lecture by Mr. W. J. Back, A.S.A.A., on "Solicitors' Accounts under the New Act."
Yorkshire District Society. At Leeds, at 6.30 p.m. Lecture by Mr. W. A. Nixon, F.S.A.A., on "The Eternal Triangle."
Newcastle-upon-Tyne District Society. At Newcastle, at 6.30 p.m. Lecture by Mr. R. H. C. O'Callaghan, H.M. Inspector of Taxes, on "Claims usually available for a Trader."
- Oct. 24th. Liverpool District Society. At Chester, at 6.45 p.m. Lecture by Mr. Charles Tunnington, F.S.A.A., on "Income Tax Claims."
Burnley Students' Society. At Accrington. Members' Inspection of the Mechanical Accounting System in operation at the Borough Treasurer's Office, Accrington.
- Oct. 25th. Manchester and District Society. At Manchester, at 6.15 p.m. Lecture by Mr. J. Ford, Inspector of Taxes, on "Income Tax."
- Oct. 28th. Dublin Students' Society. At Dublin, at 6 p.m. Lecture by Mr. W. B. Butler, B.L., on "Some Notes on Company Law."
Newcastle-upon-Tyne District Society. At Middlesbrough, at 7 p.m. Lecture by Mr. J. A. Taylor, A.S.A.A., on "Investigations of Fraud."
- Oct. 29th. Liverpool District Society and Birmingham District Society. At 6.15 p.m. Visit to Lever Bros., Port Sunlight.
Nottingham, Derby and Lincoln District Society. At Nottingham, at 6.30 p.m. Lecture by Mr. W. W. Bigg, F.C.A., F.S.A.A., on "Costing."

- Oct. 30th. Cumberland and Westmorland District Society. At Carlisle. Lecture by Mr. J. S. Sutherland, A.I.M.T.A., on "Mechanical Accounting with Practical Demonstrations."
- Oct. 31st. Nottingham, Derby and Lincoln District Society. At Nottingham, at 7.15 p.m. Annual Dinner.

RETIREMENT OF HON. GEORGE COLVILLE.

The retirement of the Hon. George Colville, M.B.E., from the position of Secretary of the Institute of Chartered Accountants was officially announced last month. He was appointed to the secretaryship in the year 1899, and has thus been Secretary for a period of 36 years. When he took office the Institute had only some 2,500 members on its roll, and now the membership is over 11,500. Before his appointment Mr. Colville was practising at the Bar, and his legal training and knowledge of Parliamentary procedure have been a great asset to him in carrying out his duties as Secretary of the Institute. His quiet and effective service will long be remembered by those who came into close contact with him.

He is succeeded in the office of Secretary by Mr. Robert Wynne Bankes, C.B.E., barrister-at-law, who has been Assistant Secretary for the last six years, and Mr. Alan S. MacIver now becomes Assistant.

Obituary.

ANDREW HERBERT BREWER.

We record with regret the death on September 5th of Mr. A. H. Brewer, F.S.A.A., who became an Associate of the Society of Incorporated Accountants in 1902 and a Fellow in 1922. Mr. Brewer was 65 years of age, and was associated for nearly 50 years with the firm of Mundy, Brewer & Johnson, Bath, in which he became a partner in 1899. From 1905 until towards the end of the war, Mr. Brewer was a member of the Committee of the West of England District Society of Incorporated Accountants. There was a large attendance at the funeral service, which took place at St. Mary's Church, Bristol, on September 9th.

NORMAN JOHN CORNISH

Members of the Society will learn with regret of the death at the age of 45, of Mr. N. J. Cornish, A.S.A.A., which occurred at Liverpool on August 27th. Mr. Cornish entered the Civil Service in the year 1913, being appointed Assistant Auditor in the National Insurance Audit Department. He was admitted an Associate of the Society of Incorporated Accountants and Auditors in 1923, and took a keen interest in all Society matters. During the War he served in France with the 6th King's Liverpool Regiment (Liverpool Rifles), and was seriously wounded. He was a Freemason, and the Brethren of St. Peter's Lodge No. 4324, together with his colleagues, attended the funeral at Kirkdale Cemetery, Liverpool, on August 29th.

WILLIAM MAXIMUS EGAN.

We regret to learn that Mr. W. M. Egan died at Bournemouth on September 11th, at the age of 83. He was admitted to Fellowship of the Society of Incorporated Accountants in January, 1902, and was in practice in Liverpool until his retirement in 1914. From 1903 to 1907 he served on the Committee of the Incorporated Accountants' District Society of Liverpool. Mr. Egan resigned his membership of the Society in 1921.

Dublin Incorporated Accountants' Students' Society.

Syllabus of Lectures, 1935-36.

- 1935.
- Oct. 7th. Social Evening.
- Oct. 28th. "Some Notes on Company Law," by Mr. W. B. Butler, B.L.
- Nov. 15th. "Farm Accounts," by Mr. H. C. Fletcher, A.S.A.A.
- Dec. 9th. "The Interpretation of Accounts," by Mr. W. Bertram Nelson, F.S.A.A. (Liverpool).
- 1936.
- Jan. 13th. Joint Debate with Dublin Society of Chartered Accountants.
- Feb. 3rd. Annual General Meeting of a Limited Company. Arranged by Mr. M. Bell, A.S.A.A.
- Feb. 24th. "Economics," by Professor George O'Brien, B.L., University College, Dublin.
- Mar. 16th. Mock Income Tax Appeal. Arranged by Mr. T. R. Beddy, A.S.A.A.
- Mar. 30th. Debate: "That the Examination is a Fair Test of Professional Competency."
- The Meetings will be held at Jury's Hotel on the arranged dates. Tea at 6 p.m.

Incorporated Accountants' Students' Society of London and District.

Syllabus of Lectures, Autumn Session, 1935.

- 1935.
- Oct. 1st. "Medium and Long Term Credit for Industry," by Mr. J. Gibson Jarvie. Chairman: Mr. G. Roby Pridie (Vice-President of the Society).
- Oct. 8th. "Some Interesting Points on Insolvency Practice," by Mr. A. V. Hussey, Incorporated Accountant. Chairman: Mr. F. W. le B. Lean, F.C.A.
- Oct. 22nd. "Solicitors' Accounts under the New Act," by Mr. W. J. Back, Incorporated Accountant. Chairman: Mr. William Strachan, Incorporated Accountant.
- Nov. 12th. "Company Taxation," by Mr. H. Goitein, LL.D. Chairman: Mr. E. Portlock, F.C.A., Incorporated Accountant.
- Nov. 19th. "The Audit of a Private Company," by Mr. Frederick R. Witty, Incorporated Accountant. Chairman: Mr. D. Mahony, Incorporated Accountant.
- Dec. 10th. "Neglected Aspects of Rationalisation," by Professor J. H. Jones, M.A. Chairman: Mr. Henry Morgan, Incorporated Accountant. (Meeting of the London District Society, to which Members are invited.)

Meetings will be held at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, at 6.15 p.m. (except December 10th, when the chair will be taken at 6 p.m.).

Dance.

The Incorporated Accountants' Students' Society of London have arranged for a dance to be held at Incorporated Accountants' Hall on Tuesday, October 15th, at which the Lord Mayor, Sir Stephen Killik, K.C.V.O. (President of the Students' Society) and the Lady Mayoress have promised to be present. It is hoped that the students and their friends will come forward in large numbers.

The Accountant in Municipal Service

A LECTURE delivered before the Incorporated Accountants' District Society of Devon and Cornwall by

MR. R. W. G. TAPER A.S.A.A.,

Deputy Accountant, Paignton Urban District Council.

MR. TAPER said: My desire this evening is to assist all students, and I shall endeavour to do this by drawing attention to local government accountancy and financial topics. I hope to merit the interest of all present, for we are all more or less concerned with one or more local authorities in our daily life, and as members of a social community we should take an intelligent interest in the affairs affecting that community, even as we do in the affairs of our professional body, the Society. So much for our moral duties in these matters.

Much is heard at meetings of this kind of the practising accountant and the problems he faces day by day. I think we sometimes overlook that large section of our Society who are in service.

To-night let us think of the Accountants in the local government service. These are many, and it is agreed that their responsible duties call for men of sterling character, specialised training, and wide experience. It is easy to understand why so many municipal accountants keenly seek membership of the Society of Incorporated Accountants and Auditors, and this entails extensive study, much of which lies outside the immediate circle of interests in which they spend the major part of their time. The municipal service takes the majority of its officers from those who entered the service as youths fresh from school, so that ordinary commercial or professional training is not often experienced by municipal men, but there are a good many men who have entered municipal service after several years outside, and many municipal men who quit the service in search of the "glittering prizes" to be found in the professional world. The general rule applies: Men of enterprise never give up hope. Wherever they find themselves, they are looking about for the next move, and they usually find it quickly.

I think too much emphasis is often given to the description "Auditors" in the name of the Society, and to-night I wish to call your special attention to the fact that the word "Accountants" comes first. Let us consider, therefore, the qualifications of Accountants as *Accountants*, and in particular I will endeavour to throw some light upon the *Municipal* accountant and *Municipal* accountancy.

The accountant in the service of a local authority has unrivalled opportunities for developing efficiency as an accountant. I would say that usually he has more scope than would be found in the offices of most practising accountants. This I say is natural, for the practising accountant is usually more attracted to the auditing side of the profession, and certain specialised branches, such as income tax, bankruptcy, liquidations, &c. All authorities and kindred bodies of any size realise that it is imperative to retain the services of a fit person to ensure proper account-keeping, and the larger the authority the more important it is that the accountant and the accounts should be worthy of the authority.

In the short time at my disposal it would be impossible to describe all the accountancy systems and procedure of even the town of Paignton. Let us look at some of the duties of a municipal accountant, review his difficulties, assess what general measure of success has been achieved, and, if possible, indicate in what ways

improvements could be obtained, and I look forward to the co-operation of all my hearers in the discussion which follows.

First of all, I think it will be admitted that the prospects of a successful municipal career are as bright as in the other branches of the accountancy profession. Salaries in the main are adequate, and in the large bodies the terms of service are attractive. Superannuation schemes are becoming generally adopted. The life appeals to many, and I do not think it will be denied that the general standard of social morality and professional ability of local government officers is high.

In Plymouth, you have just entered a new era of city life; not only have you elected new councillors, but you have also appointed a City Treasurer to carry on the good work of the municipality. You have seen fit and proper to appoint an Incorporated Accountant to be the new City Treasurer. I would like at this stage to suggest that this District Society send to him a letter of congratulation on his appointment, expressing at the same time the hope that he may be able to spare some of his valuable time to join with us in the life of the local Branch.

So that we may get down to our main object, I am going to assume that you are newly-elected representatives of the local authority, and that I, in the role of your chief financial officer, am trying to give you some particulars of the work of the finance department. Sometimes councillors are a little suspicious of this, fearing that it is the preliminary for an application for an increase of salary. But that is not so to-night, at any rate.

The rates form the main source of revenue, as you—in sorrowing and indignant tones—will quickly tell me. The Society recognises that national taxation—income tax, estate duty, &c.—should be familiar subjects to the budding accountant, but does the Society demand sufficient knowledge of local taxation by its aspirants? Incorporated Accountants ought to be well versed in the law as affecting the financial powers and responsibilities of local authorities, and accountants in the "service" would like to see more accountants on the councils.

A local authority does not go blindly into the future without a certain amount of planning, even if it appears to the ratepayers sometimes that this is not so.

Annual (or half-yearly) estimates of capital and revenue income and expenditure are prepared with considerable care, and these estimates are governed by many considerations before the actual rate to be levied is decided upon.

The Central Government at Whitehall controls to a great extent the activities of the local governing bodies—mainly by regulating the purse-strings. Local authorities cannot borrow money without the sanction of the appropriate Government Department, and then only after that Department has fully investigated the whole scheme; and usually after a local inquiry has been held, at which ratepayers may attend and express their views. Much can be done out of the rates, but there is a limit to the amount of the capital expenditure which a local authority can defray directly from the rate fund. A local authority has no share capital, but it has a "loan capital," and the Paignton U.D.C., for example, is indebted to mortgagees for an amount exceeding £1,000,000, and there is every prospect of that amount growing bigger. This is made up from hundreds of lenders, to whom interest has to be paid half-yearly. Money for capital works can be obtained by the issue of stock, by short-term loans, instalment loans, annuity loans, housing bonds, or by temporary bank loans. All borrowings have to be repaid within prescribed periods, e.g.,

land usually 80 years, buildings 60 years, road improvements 30 years. Steps have, therefore, to be taken by the authority to ensure that at the end of the prescribed period the loans can be repaid. The financing of a local authority—the provision for loan repayments by sinking funds and otherwise—is a very important matter, and can only briefly be touched upon now. How should loan debt provision for redemption be utilised? Should it be invested until the end of the loan period? Should it be pooled and steps taken to use it to accelerate repayment of debt? Should it be used for new capital purposes by theoretical repayment of debt for one purpose and re-borrowing for the new purpose? This has to be studied by the chief financial officer, in conjunction with the state of the general money market, before he is in a position to submit proper recommendations to his Finance Committee.

The local authority acts through its various committees. We have dealt with the estimates of income and expenditure. The council has decided what work is to be undertaken, including the ordinary maintenance of the usual town services. We have considered our requirements for loan moneys for capital works of improvement, and the general rate for the period has been fixed. We will also assume that the ratepayers have received their demand notes.

Let us walk around and see what is happening.

Take first the engineer and surveyor's department. The engineer is responsible for highways, sewers, parks, council property, &c. He employs a comprehensive staff of assistants and employees. He runs a large transport department, including mechanical plant, rollers, compressors, quarries, and a large store and workshops. The greater part of the work of a council is done by direct labour.

Then we come to the public health department. This department looks after the health of the town, and, in particular, collects house and trade refuse, and disposes of the same. It runs an isolation hospital, tests drains, disinfects property, and catches rats.

At Paignton, more than £100,000 has been expended in the provision and development of parks and pleasure grounds. Places like Paignton have an entertainments department, under a manager, who controls public halls, bowling greens, putting greens, band concerts, foreshore amenities, chairs, bathing tents, huts, cabins. This entails a large staff of collectors to glean every penny possible from visitors and residents alike.

Then we find most authorities have one or more of the various trading departments, such as gas, water, electricity undertakings, usually conducted as separate units, except as regards the collection of income.

Last of all let us return to the finance department, where our accountant sits, endeavouring to hold the financial reins of the various activities of the council, and, with his staff, keeping the accounts of incomings and outgoings, and, over all, controlling the methods of collection, expenditure, and internal audit. His duty is to submit financial information to the Finance Committee in a composite and understandable manner at regular intervals, say, monthly, and he must be able, at very short notice, to give full and detailed information to his fellow executive officers, to guide them as to their expenditure, so that the amounts budgeted for are not exceeded.

How is this to be done?

Let us commence our review from another angle.

The accountant is generally the valuation officer, but in the larger authorities a specialist officer is appointed. The valuation list for the district is taken, and a charge

on each assessment of the property of the district, at the rate in the £ levied, is made, and arrears of former rates brought forward, demand notes made out and posted to the thousands of ratepayers as quickly as possible. The collector sits in his office to receive same, and in due time exercises the legal powers at his disposal to round up defaulters.

The surveyor sets all his men to work. His clerks are busy writing orders on tradesmen, requisitioning supplies on duly accepted contracts. Lorries dash through the streets. Workshops are full of smoke and din. Loud explosions are heard at the quarries. One gang of workmen follow another gang, to be succeeded in their turn. Ratepayers stand aghast, bewildered, sarcastic, denouncing, or apathetic of the whole business. Sometimes—on rare occasions—they have been known to express a slight measure of approval of the work done. Local government officials do not look for compliments. If your work is done well—so it ought to be, is the customary opinion advanced. At any rate, time sheets, invoices, delivery notes, stores issued notes, reports, forms of every conceivable hue and shape, rush into the accountant's department for his tender care and attention. His organisation must be capable of dealing expeditiously with all these things.

You will appreciate that time sheets have to be checked, insurance cards stamped, wages allocated, and the men paid. Orders must be given in writing to tradesmen and to works foremen. Invoices must be checked and goods certified as having been received—and used, if not taken into stock. Goods issued from stock must be issued on a written requisition and the allocation of the goods so issued certified by the responsible officer in charge of the work. Records must be kept by all drivers of vehicles showing the time worked by the vehicle and the nature of the work done, so that a proper charge can be made for the use of the vehicle.

This—I might say—infinite variety of never-ceasing expenditure on wages, materials, repairs, issues from stores, use of haulage—hired and owned—and mechanical plant has to be properly checked and allocated.

Normally in commercial life, for example, the wages go to the wages account, thence to the trading account and similarly for purchases. In the case of local authorities this procedure cannot be adopted. For instance, you have to arrange that the wages and all the direct and indirect expenditure on a road improvement go to an expenditure account for that improvement. The total of such improvement accounts would go either to the classified roads account or to the unclassified roads account, in the case of revenue-borne schemes; or to the roads capital account if the improvement is being financed by a loan.

At Paignton, the allocation of expenditure of a more or less recurring nature is taken to over 300 expenditure accounts, and some of these accounts, such as the private works account, which deals (*inter alia*) with the repair of trenches in highways after statutory companies, is sub-divided, so that the actual cost of each rechargeable job is ascertained.

Loan charges are also allocated according to loan purposes, such as sewerage, pleasure grounds, housing, &c. Salaries and establishment charges are apportioned to expenditure accounts for certain definite services, such as highways, public health, trading services.

All the many branches of expenditure form part of the vast tree which has its roots in the finance department. The members of the department, to be efficient, must be agile, for investigations must sometimes be conducted which call for skill, if one is to maintain his sense of

proportion, as well as his grip of the situation. The whole tree must be kept healthy. Dead wood must be cut out. Some healthy shoots have to be pruned, and others, less virile, supported. The good of the whole is the aim of the chief financial officer. If I may continue in this strain, it is by the fruit that the tree is judged. Is the chief financial officer able to report to the council frequently the financial position of the council, and is he able to act promptly to prevent over-expenditure by the various spending departments? If he is, then his organisation is well designed to meet modern needs.

The council's accounts at Paignton are balanced half-yearly, although formally the year ends on March 31st. Estimates are made for half-yearly periods. Some authorities make annual estimates, but it is considered at Paignton that as the town is so rapidly developing, the half-yearly period enables the policy of the Council to be more readily adapted to the special circumstances.

As regards audit, the accounts are examined by the District Auditor and his staff, who take nearly a month over it. When I tell you that the expenditure examined is more than £234,000 for the last year, you will understand the nature of the task. Partial audits are also conducted by the Ministry of Transport and the Devon County Council in respect of grant-aided works.

Various returns and statements relating to financial matters have to be prepared annually, and a large number of financial statements are prepared by the chief financial officer for submission to the Council.

The accounts are also open to the inspection of ratepayers, but I must add that it is very rare that this privilege is exercised. I must admit that the average ratepayer would be at sea if confronted with the ledger, but, nevertheless, he has full rights of navigation.

I have tried to give you a description of the main features of the problem with which the accountant has to grapple, and I want now to look at a few phases in greater detail.

VALUATIONS FOR RATING PURPOSES.

This is a thorny matter, but I suggest that practising accountants would do well to study the matter so as to be able the better to advise their clients. A visit to the rating officer and a perusal of the assessments of certain similar properties may reveal inequalities to which attention should be called. I suggest that the practising accountant might well take up rate appeals as part of his practice. The ideal in valuations for rating is uniformity, and having adopted a standard of value this standard should be applied justly throughout the rating area.

RATE MAKING AND COLLECTION.

Suppose, for example, you have 8,000 rate assessments on which the general rate has to be levied, and that your charge for water for domestic purposes is based also upon the rateable value of the property supplied. The accountant has to arrange for the work to be done correctly and expeditiously. Rate books have to be entered up and rateable values balanced with the valuation list. The amount to be collected has to be agreed in the aggregate and demand notes circulated as soon as possible. At Paignton we favour loose-leaf books. We have an Elliott addressing machine, which uses stencils prepared with the aid of a typewriter for each ratepayer in the district. The stencil can be used to print the ratepayer's name, his address, and the description of the property; either section of the stencil can be printed as desired. By this means the rate charge book sheets are first run off and the staff get to work inserting the figures. These sheets serve for two half-years. Then the rate account sheets are run off. These contain the arrears from the

last rate, the charge for the current rate, and a total to be collected. The form also provides for the collection to be recorded and for credits to be given for empty periods, and for arrears carried forward. The rate account book is kept by the collector, but the charge book by the finance department. Up to the present the Council do not favour the idea of giving a discount for prompt payment of rates. This discount has to be put on before it can be allowed off, and often hits the poorer section of the ratepayers unfairly, as they have to find the discount allowed to the more fortunate ones.

There is an ingenious device much used in connection with posting receipts to columnar ledgers such as rate books. It is known as "D-P"—duplicate posting. The posting slip is carbon treated and cash ruled to coincide with the ledger into which it is desired to post. Posting to the rate book is from the carbon copy of the receipt given to the ratepayer, on which the number of the assessment has been noted. The clerk takes the posting slip and places it over the space in the rate book where it is necessary to post the amount collected, and writes the amount collected and the number of the receipt, and a facsimile of the entry appears in the rate book. So the posting continues until the slip is filled. When all the receipts have been posted to various parts of the rate book, the clerk adds the amounts entered on his posting slips, and if the total agrees with the daily total on the receipt book the inference is that the postings have been properly made. There is, of course, the danger of making the entry against the wrong ratepayer, but in practice this rarely happens, and is soon revealed when application is made to the ratepayer who has paid. If the total on the posting slips does not agree with the total as per receipt books, instead of having to check the individual postings in the rate book it is sufficient to call over the postings on the posting slips with the receipt book, and having found, say, ten shillings entered as ten pence, one can turn to the particular assessment and make the necessary correction. This system enables the rate book to be closed and balanced at the end of a half-year very quickly, as the collections have been agreed day by day. As you know, if a property is not in beneficial occupation no rates are payable in respect of it. Put simply, this means that normally if a house is empty, no rates need be paid. This means that care has to be exercised in the granting of allowances for empty property, and entails a system of inspection of properties from time to time. At Paignton we require the ratepayer to claim the allowance for void property in writing, and a form is provided for the purpose, which is also used for setting up the credit in the rate book. The adjustments are worked out, inserted on the form, and then entered in the credit journal and posted in the rate book. The credit journal is used so that the Finance Committee may have an opportunity of seeing month by month what credits have been given, and allocation columns are provided so that the nature of the credits can be ascertained. The inspector of properties is provided with a specially ruled report book, so that it can be easily seen when the property came under the official eye. This prevents a loss of income from casual oversight.

USE OF CODES TO ASSIST THE ALLOCATION OF EXPENDITURE.

I have already mentioned that expenditure has to be apportioned over hundreds of separate accounts, and it used to be found difficult to reconcile what the wages clerk had allocated, with the storekeeper's issues, and with the returns of a lorry driver on the same job. The same place was called by different names and the

various clerks had different ideas as to the proper account to be charged. It is naturally rather awkward when an account shows considerable expenditure on haulage and materials, but no wages. We therefore decided to tackle the trouble at the beginning. In the half-yearly estimates we incorporated a four-figure code and arranged that officers directing work must make themselves acquainted with the authority for incurring expenditure, e.g., by finding what part of the estimates permitted the expenditure. The code number against the item must be used, and it is communicated to the foremen who pass it on to the workmen, and check it on the time sheets before sending same in. Each workman must in addition set out in words a description of the job he is on. The clerks allocating haulage and plant records of time also use the code, connecting up with the work instructions issued by the chief of the works department. This is how the code is formed:—

The figure in the "Thousands" place indicates the committee responsible. This code permits nine committees.

The figures in the "Hundreds and Tens" place indicate the section or main general heading of the expenditure in the committee's estimates. This code permits of 99 main headings per committee.

The figure in the "units" place is the sub-section of the main heading, and permits of nine sub-sections.

Let us review the usefulness of such a code for allocation purposes.

The officer for the job gives it an identification for all purposes, so that under that identification all kinds of expenditure can be brought together.

Official orders which bear a serial number in addition refer to the code number. Tradesmen quote the order number when submitting their invoices. The clerk checking the invoice refers to the copy of the order given and enters the code number on the invoice.

The wages clerk sees that all the wages are distributed under code numbers.

The clerks responsible for other records do likewise. The code number is easily and quickly written and can easily be decoded.

I expect a good many of you are wondering by what method we bring together all the various allocations. It has been found that the following procedure is convenient and successful:—

Wages.—The wages clerk has an analysis book on loose-leaf principle. There is a section for each committee and a sheet (or sheets as required) for each main heading of expenditure in the estimates for that committee. Sheets are also inserted for sub-sections of expenditure. These sheets connect with the wages summary. For instance, an improvement is being carried out in Fore Street by Lloyds Bank. The code may be 2125, indicating the Highways Committee, district roads improvements, and the one at Fore Street in particular. We have a sheet for 2125 and also head it in words. The sheet is ruled to show:—

Week ending; workman's number; wages attributable to this job for the week; and a further cash column so that the individual amounts for the week may be extended, which total goes to the weekly summary.

The wages summary is on cash analysis sheets, and down the left-hand side are written all the headings of expenditure and the sub-divisions. The wages each week go into the cash columns, and a total is made monthly, and provision is made for a half-year's wages at an opening of the summary. The total wages allocated each

week must agree with the total wages paid by that department according to the wages book. Each month the wages summary of the works department is sent to the finance department, where the expenditure analysis clerk keeps a similar summary, but for monthly periods only, from which he arrives at the half-yearly totals. This clerk sees that the total wages allocated agrees with the total wages paid by the finance department for the month. Each employee has two time sheets per week for use on alternate days. The previous day's time sheet is handed in each morning on reporting, and is examined. The wages clerk keeps an analysis sheet per man per week, and the hours worked are allocated to the code purposes day by day. Overtime is converted to "equivalent" time, thus two hours at time and a half is treated as three hours for allocation purposes, and for arriving at the amount to be paid at the end of the week. The total of the week's allocation of hours worked is translated into cash, and this forms the basis of the posting to the wages analysis book. The clerk uses D.P. slips for these postings. The average weekly wages at Paignton amount to £800. Men are paid on the job as far as possible. Money is put up in transparent bags, and men do not give a receipt for money received.

Invoices.—Invoices are allocated similarly. The analysis sheets show the date of the invoice, official order number, the position of the invoice in the filing system, the name of the tradesman, and a brief description of the goods, &c., supplied, and the amount charged. This sheet provides very useful information when abstracting and making up cost progress reports.

Goods Issued from Stores.—Issue notes are printed on continuous rolls, and a Lamson Paragon outfit is found very convenient. The stores ledger provides for daily balances of stock in hand. The issue notes are taken to the abstract sheets, and the totals are transferred to a monthly summary by the expenditure analysis clerk. Four copies of the issue note are made by means of carbon paper. One goes with the goods to the officer in charge of the job, one to the head of the department, one to the finance department, and the other to the storekeeper.

Mechanical Transport and Plant.—The Paignton Council has extensive plant. Each vehicle is treated as a separate unit for cost of working and maintaining it, and for the charges made for the use of it. I have explained that hourly records are kept of the use. Each month the clerk in charge of the records showing the user of these vehicles submits same to the expenditure analysis clerk in the finance department, when the monthly totals in hours are set up in the half-yearly summary.

In dealing with this subject it is interesting to note that the Ministry of Transport has fixed a definite scale to be adopted by highway authorities who carry out road works with their own vehicles and plant, so that uniformity in the rate charged may be secured. The Ministry of Transport allows . . . per hour for a 30-cwt. motor lorry, with a tipping body, plus the average hourly driving wages, and plus the average hourly cost of petrol consumed by the vehicle. The actual hourly charge is ascertained half-yearly, but as the rate is fairly constant, for interim costing reports, the previously ascertained rate is adopted.

The expenditure analysis clerk in the finance department brings together all the respective summaries, e.g., wages, haulage, materials, rollers, plant, into a grand summary for the half-year, and these totals are posted into the expenditure accounts in the general ledger.

You may be interested to know that the total amount of (1) employees' contributions under the Health and Unemployment Insurance Acts, (2) payment of holiday

You will notice the system provides for payment in advance.

A list of persons in arrear at the end of any week is given to the finance department when called for, and in any case for the first week commencing each month. The amount of the arrears is available every week from the summary. From time to time a notice is sent direct by the finance department to the tenants who happen to be in arrears at a particular time. This system results in an amazing saving of time and is infinitely more efficient than the method first outlined.

I have had time to mention only a few of the aspects of the life of a municipal accountant. I can assure you that there are many more, and just as interesting to the student and practitioner. The assessment of local authorities for income tax is one, and one which demands specialist treatment.

All accountants must endeavour to keep their minds open to receive new ideas and methods, and to apply new ideas and inspirations to the problems with which they are faced. In this connection I would like to call your attention to the great usefulness of the visible index records.

May I pass on to those who are not already acquainted with them two useful rules for frequent calculations, which I think should be part of the equipment of every accountant?

The first is for the decimalisation of money as a fraction of a pound. I dare say most of you are familiar with the approximate method, but where greater accuracy is demanded, the following method will ensure it:—

Divide the shillings by two. This gives the first decimal place.

If there is an odd shilling, write 5 in the second decimal place.

Bring the pence to farthings, and for each complete 24 add 1 to the number. This gives the second and third decimal places, but you must add in the 50 for the odd shilling.

From the number represented by the second and third decimal places, take away multiples of 25, and multiply the remainder by four. For each complete 24 of that number add one. This gives the fourth and fifth decimal places.

Proceed in the same way for additional places.

With a little practice, it is easy to write down your decimal without hesitation.

Those who have to use mechanical calculators find the above method essential to the proper use of the calculator.

The other rule, which I have found is very little known, deals with the calculation of simple interest for a number of days. This in the ordinary way would give a fair amount of work.

This is the formula. It is known as the "third, tenth and tenth" rule. Proceed as follows:—

Principal \times number of days \times TWICE the rate per cent. This is where the rule commences:—

Move decimal point five places to left, i.e., divide the amount by 100,000.

Write under this amount one-third of itself.

Then write under one-tenth of the third.

Then write one-tenth of the tenth.

Add these four together, that is, including the amount which is the 100,000th part of the original product.

From this total deduct 1/10,000th part of itself. The difference is the required interest. When the interest is less than £10, the subtraction of 1/10,000th part is not necessary.

Although the rule may seem rather strange, it will be

found that it is easily applied, and is much quicker than the formula— $P \times R \times \text{No. of days}$

$$100 \times 365$$

Municipal men find these two rules of great assistance, and I hope they may be useful to you.

As accountants, I think we ought to study "short-methods" in calculations. Our clients already think we are expert, so we ought to justify that belief.

This concludes my paper, and I trust it may have been of some interest to you.

SIR JOSIAH STAMP ON STABILISATION AND A NEW INTERNATIONAL GOLD STANDARD.

In a lecture on "Common Factors in the Life of Nations," at the International Congress of Building Societies, Sir Josiah Stamp made an important statement on the subject of stabilisation of exchanges and a new international gold standard. Stabilisation, he said, was not immediately attainable, but must be approached from three directions not necessarily simultaneously.

Firstly, parities between particular great currencies should be ascertained which would do no injustice to particular groups of exporters or importers. They should be free from speculative elements or movements of a capital nature.

Secondly, such parities should be provisionally established *de facto*, with ample scope for correction and adjustment during a trial period.

Thirdly, the zone of exchange should be closed into narrower ranges with experience, and longer periods of trial should be established. This arrangement would demand close study by the Central Banks and monetary authorities acting in co-operation, and much mutual tolerance and freedom from recrimination and suspicion.

Some kind of new international gold standard could then be re-established. The essential conditions for its successful working were summarised by Sir Josiah as follows:—

1. Goods and services must be paid for by goods and services. Payment by gold was no final or general method.

2. Creditor nations must not receive their debts predominantly in gold.

3. If gold were used unduly as a store of value it would affect its validity as a measure of value.

4. Movement of gold must be allowed to have full measure of effect upon the volume of credit and upon the level of prices and wages.

5. The standard could not be wholly automatic. It must be managed by co-operative effort working to a common and intelligent end.

6. There must be limits upon the extent to which gold could be sent from market to market for merely temporary investment and speculative purposes.

It was useless to embark upon financial conferences until the world had got away from eighteenth century ideas about trade. The boon of wide and stable international trade could not be added to the boon of stable domestic trade until this educational and painful process had made headway.

The world was facing a strange paradox. It was trying to become at one and the same time more international and more national than it had been for centuries.

District Societies of Incorporated Accountants.

BIRMINGHAM.

Syllabus of Meetings, 1935-36.

1935.
Oct. 18th. "Income Taxation Principles as illustrated by recent decisions in the High Court," by Mr. C. G. Woodfield.
Oct. 29th. Visit to Liverpool, by invitation of the Incorporated Accountants' District Society of Liverpool.
Nov. 6th. "Pension Schemes," by Mr. A. A. Davidson (Managing Director, Standard Life Assurance Co., Edinburgh). By invitation of the Chartered Institute of Secretaries.
Nov. 15th. "Wills and Intestacies under the Property Act of 1925," by Mr. H. W. Lyde.
Nov. 22nd. Annual Dinner.
Dec. 13th. "The Practical Aspect of Costing," by Mr. J. A. Lacey, Past President of the Institute of Cost and Works Accountants.
1936.
Jan. 9th. "Income Tax," by Mr. Rowlands (at the Chamber of Commerce), by invitation of the Institute of Bankers.
Jan. 24th. "Income Tax as affecting Companies and Company Officers," by Mr. C. C. Benstead.
Feb. 6th. Dance at Midland Hotel, Birmingham.
Feb. 14th. "Internal Organisation of an Accountant's Office," by Mr. C. E. Dolby.
Feb. 21st. "Some Notes on Bankruptcy Practice," by Mr. R. Kynock Clark, Official Receiver, Birmingham.
Mar. 6th. "Retail Costs and Profits," by Mr. Sargent Florence.
Mar. 27th. "The American Experiment," by Mr. J. Walker.

BRADFORD.

Syllabus of Lectures, 1935-36.

1935.
Sept. 27th. Inaugural Meeting and Smoking Concert at Wear's Café, North Parade, Bradford. Chairman: Mr. C. L. Townend, F.S.A.A.
Oct. 2nd. "The Law of Contract," I, by Mr. R. Cleworth, Barrister-at-Law. Chairman: Mr. Alton Ward, F.S.A.A.
Oct. 9th. "The Law of Contract," II, by Mr. R. Cleworth, Barrister-at-Law (at Keighley). Chairman: Mr. A. B. Kitchen, F.S.A.A.
Oct. 16th. "Bills of Exchange," by Mr. R. Cleworth, Barrister-at-Law. Chairman: Mr. George A. Wrigley, A.S.A.A.
Nov. 21st. Debate with the Sheffield Students' Society (at Bradford). Chairman: Mr. Tom Hudson, F.S.A.A.
Nov. 29th. Jubilee Dinner at the Midland Hotel.
Dec. 5th. "Equitable Apportionments," by Mr. C. A. Sales, LL.B. (London), F.S.A.A. Chairman: Mr. C. E. Claridge, F.C.A., F.S.A.A.
Dec. 12th. "Hints on Public Speaking," by Mr. Arthur Duxbury. Chairman: Mr. C. L. Townend, F.S.A.A.
1936.
Jan. 16th. "Company Reconstructions," by Mr. W. Bertram Nelson, F.S.A.A. Chairman: Mr. George R. Lawson, B.Com., F.S.A.A.
Jan. 28th. "Economics To-day," by Mr. W. Bell,

M.A. (Bradford Technical College.) Chairman: Mr. Wade Hustwick, F.S.A.A.

- Feb. 4th. "Statistics," by Mr. A. Lester Boddington, F.S.S. Chairman: Mr. A. E. Stringer, F.S.A.A.
Feb. 21st. Eighth Annual Supper Dance at the Midland Hotel.
Feb. 25th. Joint Meeting with the Leeds District Society (at Bradford). Chairman: Mr. E. Longbottom, A.S.A.A.
Mar. 9th. "Budgetary Control," by Mr. W. H. Stalker, A.S.A.A. (at Keighley). Chairman: Mr. H. D. Myers, F.S.A.A.
Mar. 19th. "Income Tax in relation to Partnership," by Mr. A. V. Tranter, B.Sc., Ph.D. Chairman: Mr. Leonard Smith, A.S.A.A.

Lectures will be held at 7.30 p.m. in the Liberal Club, Bank Street, Bradford, except where otherwise stated.

DEVON AND CORNWALL.

Syllabus of Lectures, 1935-36.

To be held at Goodbody's Café, Bedford Street, Plymouth, at 6.30 p.m. :-

1935.
Oct. 8th. "Auditing Case Law," by Mr. C. E. Perry, F.S.A.A., F.C.A. Chairman: Mr. W. P. James, A.S.A.A.
Nov. 12th. "Accountancy Problems," by Mr. W. J. Ching, F.S.A.A. Chairman: Mr. G. E. L. Whitmarsh, F.S.A.A.
Dec. 5th. "Bases of Assessment," by Mr. W. N. Carr, H.M. Inspector of Taxes. Chairman: Mr. S. H. Roberts, F.S.A.A.
Dec. 20th. Students' Evening.
1936.
Jan. 14th. "Economics for the Society Final Examination," by Mr. C. L. Lawton, M.Sc., A.C.A. Chairman: Mr. W. J. Ching, F.S.A.A.
Feb. 13th. "The Lawyer and the Accountant," by Mr. R. D. Luscombe, LL.B. Chairman: Mr. R. W. G. Taper, A.S.A.A.
Mar. 3rd. Students' Evening.
Mar. 31st. "General Commercial Knowledge," by Mr. E. Miles Taylor, F.S.A.A., F.C.A. Chairman: Mr. J. H. Chown, F.S.A.A.

To be held at 17, Bedford Circus, Exeter, at 6.30 p.m. :-

1935.
Oct. 18th. "Income Tax Practice," by Mr. F. J. Bryan, H.M. Inspector of Taxes. Chairman: Mr. W. W. Beer, F.S.A.A.
1936.
Feb. 25th. Legal Lecture, by Mr. Griffith Morgan. Chairman: Mr. M. J. Dunsford, F.S.A.A.

HULL.

[STUDENTS' SECTION.]

Syllabus of Lectures, 1935-36.

1935.
Oct. 14th. "Costs in Relation to Works Management and Materials," by Mr. W. Taylor, F.C.W.A. (at the Blackburn Aeroplane and Motor Co., Ltd., Brough.)
Nov. 1st. "The Statistical Interpretation of Accounts," by Mr. W. Bertram Nelson, F.S.A.A.
Nov. 18th. "The Will of Josephus Brown," by Mr. Neville Hobson.
Dec. 6th. "Partnership Taxation Liability," by Mr. R. P. Anderson, A.C.A.
Dec. 16th. Social Evening.
1936.
Jan. 10th. "Mercantile Law for the Examinee," by Mr. O. Griffiths, M.A., LL.B.
Jan. 27th. "Mechanical Accountancy," by Mr. D.

Bellamy, A.C.W.A. (at the Hull Corporation Electricity Showrooms).

Feb. 14th. To be arranged.

Mar. 6th. "The Financial Editor's Comments upon Published Accounts and Prospectuses," by Mr. A. S. Wade, City Editor of the *Evening Standard*.

Mar. 20th. Social Evening.

All the Lectures, except where otherwise stated, will be held at Paragon House, Paragon Street, Hull, and will commence at 7.15 p.m.

LEICESTER.

Syllabus of Lectures, 1935-36.

LECTURES AT LEICESTER.

(Held at the Turkey Café, Granby Street, at 6 p.m.)

1935.

Oct. 9th. "Income Tax Principles as illustrated by recent High Court Decisions," by Mr. C. G. Woodfield.

Oct. 22nd. "Trusts and Trustees," by Mr. E. Westby-Nunn, B.A., LL.B.

Nov. 13th. "Hints on Public Speaking," by Mr. Arthur Duxbury.

Nov. 20th. "Securities," by Mr. A. A. Garrett, M.B.E., M.A.

Dec. 12th. "Examination Points in Executorship Accounts," by Mr. W. Pickles, B.Com., F.C.A.

1936.

Jan. 21st. "Points in Company Flotations," by Mr. S. Shaw, LL.B.

Feb. 12th. "Law in Daily Life," by Mr. B. B. Benas, B.A., LL.B.

Mar. 3rd. "Examination Questions in General Commercial Knowledge," by Mr. A. L. Boddington, F.S.S.

LECTURES AT NORTHAMPTON.

(Held at Kinson's Café, St. Giles Street, at 6 p.m.)

1935.

Oct. 8th. "Income Tax Principles as illustrated by recent High Court Decisions," by Mr. C. G. Woodfield.

Nov. 4th. "Trusts and Trustees," by Mr. E. Westby-Nunn, B.A., LL.B.

Dec. 16th. "Rating," by Mr. S. B. Bordoli, A.S.A.A.

1936.

Jan. 20th. "Points in Company Flotation," by Mr. S. Shaw, LL.B.

Feb. 25th. "How to Speak in Public," by Mr. Arthur Duxbury.

LIVERPOOL.

Syllabus of Lectures, Autumn, 1935.

1935.

Oct. 8th. "Industrial Reorganisation," by Mr. Harold Macmillan, M.P.

Oct. 18th. "Foreign Exchanges," by Mr. A. S. Wade, City Editor, the *Evening Standard*.

Oct. 24th. At Chester (at 6.45 p.m.). "Income Tax Claims," by Mr. Charles Tunnington, F.S.A.A.

Oct. 29th. Visit to Lever Bros., Port Sunlight. (Visit of Birmingham Society.)

Nov. 6th. "The Verification of Assets and Liabilities," by Mr. W. J. Back, A.S.A.A.

Nov. 15th. "The Working of the Dock Board System," by Mr. L. A. P. Warner, C.B.E., F.C.I.S., General Manager and Secretary, Mersey Docks and Harbour Board.

Nov. 21st. At Chester (at 6.45 p.m.). "Fraud in Accounts," by Mr. S. Woodyer, F.S.A.A., A.C.A.

Nov. 26th. Annual Dance at Adelphi Hotel.

Dec. 6th. Sir Josiah Stamp, G.B.E., D.Sc. (Subject to be announced later.) By invitation of the Liverpool Institute of Bankers.

Meetings are held at 6.15 p.m. on the dates named, unless otherwise indicated, as follows:—

Liverpool: At the Constitutional Club, India Building, Water Street.

Chester: Queen Hotel (opposite General Station).

MANCHESTER.

Syllabus of Meetings, 1935-36.

1935.

Oct. 11th. Students' Mock Company Meeting.

Oct. 25th. "Income Tax," by Mr. J. Ford, Inspector of Taxes.

Nov. 8th. Students' Meeting. "Contracts," by Mr. H. Burton, B.A., Barrister-at-Law.

Nov. 13th. Joint Meeting with Manchester Branch of the Chartered Institute of Secretaries. "Local Government Finance," by Mr. Lewis Lord, F.S.A.A., Borough Treasurer of Stretford.

Nov. 22nd. "Income Tax," by Mr. J. Ford, Inspector of Taxes.

Nov. 30th. Annual Dance in the Great Hall of College of Technology.

Dec. 6th. Students' Meeting. "Reconstructions and Amalgamations," by Mr. R. Bibby, A.C.A.

Dec. 13th. (provisional). "Social Credit from the Accountancy Point of View."

1936.

Jan. 17th. Students' Meeting. "The Stock Exchange," by Mr. W. H. Grainger, F.S.A.A.

Jan. 24th. Students' Meeting (provisional). "Audit of Municipal Accounts, with special reference to Mechanical Accounting."

Jan. 31st. "Income Tax," by Mr. J. Ford, Inspector of Taxes.

Feb. 7th. Students' Meeting. "Deeds of Arrangement," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.

Feb. 14th. "Standard Costs," by Mr. W. H. Stalker, A.S.A.A.

Feb. 21st. "Income Tax," by Mr. J. Ford, Inspector of Taxes.

Mar. 13th. 6 p.m. Students' Annual Meeting. Mock Public Examination in Bankruptcy.

Mar. 19th and 20th. Fiftieth Anniversary Celebrations.

Meetings will be held at 6.15 p.m. in the Central Library, St. Peter's Square, Manchester, except where otherwise indicated.

NEWCASTLE-UPON-TYNE.

Syllabus of Lectures, 1935-36.

At NEWCASTLE. Lectures and Meetings to be held at Society's Lecture Room, 15, Grainger Street West, unless otherwise stated. Tea at 5.30 p.m. Lecture at 6.30 p.m.

1935.

Oct. 1st. "Executorship Law," by Mr. R. M. Beckwith, Solicitor.

Oct. 15th. "Executorship Law," by Mr. R. M. Beckwith, Solicitor.

Oct. 22nd. "Claims usually available for a trader," by Mr. R. H. C. O'Callaghan, Inspector of Taxes. (Meeting for Qualified Members.)

Nov. 7th. "Executorship Law," by Mr. R. M. Beckwith, Solicitor.

Nov. 21st. "Executorship Law," by Mr. R. M. Beckwith, Solicitor.

- Dec. 2nd. "Executorship Accounts," by Mr. W. H. Grainger, F.S.A.A.
 Dec. 6th. Annual Dinner and Dance, at Royal Station Hotel.
 Dec. 18th. Visit to Offices of *Newcastle Evening Chronicle*. 1936.
 Jan. 13th. Visit to Showrooms of Burroughs' Adding Machines, Ltd.
 Jan. 20th. "The Gold Standard," by Mr. C. R. Curtis, M.Sc.(Econ.).
 Jan. 27th. Meeting for Qualified Members.
 Feb. 6th. "Main Points Arising under Schedule D," by Mr. W. P. Sawyer, Inspector of Taxes.
 Feb. 17th. "Mechanical Accounting," by Mr. W. H. Stalker, A.S.A.A.
 Feb. 27th. "The Implications of Economic Planning," by Mr. E. Allen, M.A.
 Mar. 3rd. "Partnership Law and Accounts," by Mr. J. Wilkinson, A.S.A.A.
 Mar. 19th. Meeting for Qualified Members.
 Mar. 23rd. "Liquidations," by Mr. R. E. Smith, F.C.A.

AT MIDDLESBROUGH. Lectures to be held at Hinton's Café, Corporation Road, Middlesbrough, at 7 p.m.
 1935.

- Oct. 14th. "Depreciation," by Mr. T. E. Dent, F.S.A.A.
 Oct. 28th. "Investigations of Fraud," by Mr. J. A. Taylor, A.S.A.A.
 Nov. 11th. "Receivers," by Mr. R. M. Beckwith, Solicitor.
 Nov. 25th. "Income Tax Deductions in Arriving at Profits," by Mr. T. Dunsmore, Inspector of Taxes.
 Dec. 9th. "Criticism of Accounts," by Mr. C. L. Hamer, A.C.A., F.S.A.A.
 1936.
 Jan. 21st. "The London Money Market," by Mr. C. R. Curtis, M.Sc.(Econ.).
 Feb. 3rd. "Solicitors' Accounts," by Mr. J. K. Brown, A.S.A.A.
 Feb. 17th. "Executorship Accounts," by Mr. George Lambert, A.S.A.A.
 Mar. 2nd. "Hire Purchase Accounts," by Mr. T. H. Brown, A.S.A.A.

AT SUNDERLAND. Lectures to be held at Palatine Hotel, Borough Road, Sunderland, at 7.30 p.m.

1935.
 Nov. 15th. "Present-day Monetary Problems," by Mr. S. Price, B.Com., F.R.Econ.S.
 1936.
 Mar. 9th. "Some Aspects of the Law of Contract," by Mr. S. Cohen, LL.B., Solicitor.

At the conclusion of each Lecture a discussion will take place, in which members are invited to take part.

Members have the privilege of introducing friends who are interested in the subjects named in the Syllabus.

Members are invited by the Institute of Bankers to attend the following Lectures of which full details will be notified later:—

- December 12th, 1935, "Recent Developments in the United States of America," by Prof. W. J. Hinton, M.A.
 January 16th, 1936, "The Monetary Maze and the Plain Man," by Sir Norman Angell.

NORTH LANCASHIRE.

Syllabus of Lectures, 1935-36.

1935.
 Oct. 9th. "Branch Accounts," by Mr. Walter W. Bigg, F.C.A., F.S.A.A.

- Nov. 6th. "Practical Hints for Accountancy Students," by Mr. W. H. Stalker, A.S.A.A.
 Dec. 4th. "Appeal to the General Commissioners for Income Tax," by Mr. R. W. Lynn, Solicitor (Clerk to the Commissioners of Income Tax, Preston).

1936.
 Jan. 7th. "Important Points in Company Law," by Mr. R. F. Cartwright, LL.B., Solicitor.
 Feb. 4th. "Investigations and Reports," by Mr. A. Lord, A.S.A.A.
 Feb. 19th. "Duties and Liabilities of Auditors," by Mr. C. A. Sales, LL.B., F.S.A.A.
 Mar. 18th. "Training for the Profession," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

[BURNLEY AND DISTRICT STUDENTS' SECTION.]

Syllabus of Lectures, 1935-36.

1935.
 Oct. 3rd. "Important Points in Contract Law—Little things the Student Overlooks," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.
 Oct. 24th. Members' Inspection of the Mechanical Accounting System in operation at the Borough Treasurer's Office, Accrington.
 Nov. 7th. Mock Shareholders' Meeting.
 Dec. 5th. "A Talk on Insurance," by Mr. E. J. Willis.

1936.
 Jan. 9th. Students' Lecturettes:—
 (1) "Preparation of Accounts from Incomplete Records," by Mr. Tom Sharratt.
 (2) "Municipal Debt and its Necessity," by Mr. J. Campbell, F.S.A.A. (Borough Treasurer of Accrington).
 (3) To be announced later.
 Feb. 6th. "Income Tax—The Treatment of Losses," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.
 Mar. 5th. Income Tax Computation Test and Discussion.

The meetings will be held at the Mechanics' Institution, Burnley, at 7.30 p.m. Members have the privilege of introducing friends who are interested.

NORTH STAFFORDSHIRE.

Syllabus of Lectures, 1935-36.

1935.
 Oct. 18th. "More about Business Accounts and how to Read Them," by Sir Thomas Keens, F.S.A.A. Chairman: Mr. R. W. Woodhead, A.S.A.A.
 Nov. 8th. "Executorship Law and Accounts," by Mr. H. A. R. J. Wilson, F.S.A.A. Chairman: Mr. Andrew Brodie, F.S.A.A.
 Nov. 29th. "Realities of Industrial Planning and Price-Fixing," by Mr. Archibald Crawford, K.C. (Chairman of Industrial Federations). Chairman: Mr. J. Paterson Brodie, F.S.A.A.
 Dec. 11th. "Bankrupts and Company Directors," by Mr. F. C. Ormerod, Official Receiver, Stoke-on-Trent. Chairman: Mr. M. P. Ferneyhough, F.S.A.A.

1936.
 Jan. 15th. Mock Income Tax Appeal. Chairman: Mr. L. W. Caulcott, H.M. Inspector of Taxes.
 Feb. 7th. "Special Types of Assessable Income," by Mr. A. Stuart Allen, F.S.A.A. Chairman: Mr. D. H. Bates, F.S.A.A.

Feb. 28th. "Currency Problems," by Mr. A. R. Capey, Foreign Manager, District Bank, London. Chairman: Mr. W. C. Coxon, F.S.A.A.

Mar. 17th. "Process Costing," by Mr. W. H. Stalker, A.S.A.A., Newcastle-on-Tyne. Chairman: Mr. R. M. Chapman, F.S.A.A.

The Meetings will be held at the Town Hall, Hanley, at 6.30 p.m.

NOTTINGHAM, DERBY AND LINCOLN. Syllabus of Lectures 1935-36.

1935.

Oct. 10th. "Income Tax," by Mr. C. G. Woodfield.
Oct. 18th. "Public Speaking and Conduct of Meetings," by Mr. C. J. Danbury.

Oct. 29th. "Costing," by Mr. W. W. Bigg, F.C.A., F.S.A.A.

Nov. 12th. "Sale of Goods," by Mr. W. A. Boot, M.C., Solicitor.

Nov. 29th. "Economics," by Mr. Arthur Radford, B.Sc. (Econ.).

Dec. 5th. "Secretarial Duties," by Mr. A. A. Garrett, M.A., B.Sc., F.C.I.S.

Dec. 17th. "Receiverships," by Mr. Stanley Blythen, F.C.A., F.S.A.A.

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Jan. 10th. "Stock Exchange Activities," by Mr. A. S. Wade, City Editor, *Evening Standard*.

Jan. 17th. "Mechanical Accountancy and Demonstration," by Mr. P. Logie (Burroughs Adding Machines Ltd.).

Feb. 3rd. "Executorship," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

Feb. 17th. "Voluntary Liquidations," by Mr. C. A. Sales, LL.B. (Lond.), F.S.A.A.

Mar. 6th. "Statistics," by Mr. Arthur Radford, B.Sc. (Econ.).

Mar. 18th. Students' Short Papers.

Meetings will be held at 6.30 p.m., preceded by tea at 6 p.m., at the Reform Club, Victoria Street, Nottingham.

SHEFFIELD.

Syllabus of Lectures, 1935-36.

1935.

Oct. 14th. "Municipal Accounts," by Mr. A. B. Griffiths, F.S.A.A., F.I.M.T.A.

Nov. 8th. Subject to be announced later. By Mr. W. J. Hinton, Institute of Bankers.

Nov. 21st. Students' Debate with Bradford Society, at Bradford.

Dec. 11th. "Legal Avoidance of Income Tax," by Mr. C. G. Woodfield, late Inspector of Taxes.

1936.

Jan. 24th. Subject to be announced later. By Sir Josiah C. Stamp, G.C.B., D.Sc.

Feb. 12th. "A Talk to Students on Cost Accounts," by Mr. W. H. Stalker, A.S.A.A.

Feb. 26th. "The Technique of Accountancy," by Mr. W. Bertram Nelson, F.S.A.A.

YORKSHIRE.

Syllabus of Lectures, 1935-36.

1935.

Oct. 22nd. "The Eternal Triangle," by Mr. W. A. Nixon, F.S.A.A. (President, Manchester and District Society of Incorporated Accountants).

Nov. 12th. Joint Meeting with the Chartered Secretaries (West Yorkshire Branch).

Nov. 19th. "Modern Problems in Accountancy," by Mr. R. Glynn Williams, A.C.A. (at the Y.M.C.A., John William Street, Huddersfield).

Nov. 26th. "Auditing Investigations," by Mr. W. H. Grainger, F.S.A.A.

Dec. 10th. "Executorship Accounts," by Mr. Sydney Beevers, F.C.A.

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Jan. 14th. Lecture by Mr. Ernest R. Dodd, A.S.A.A. (Subject to be announced later.)

Jan. 28th. "Income Tax," by Mr. Wilfred Dargue, A.C.A.

Feb. 4th. "Sur-Tax and Private Limited Companies," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

Feb. 18th. "Voluntary Liquidation and the Rights and Duties of the Liquidators in connection therewith," by Mr. W. H. Grainger, F.S.A.A. (at the Y.M.C.A., John William Street, Huddersfield).

Feb. 25th. Mock Income Tax Appeals. Joint Meeting with the Incorporated Accountants of Bradford and District, at Bradford.

Mar. 19th. "Budgetary Control," by Mr. W. H. Stalker, A.S.A.A.

Mar. 24th. "Cost Accounts," by Mr. Walter W. Bigg, F.C.A., F.S.A.A.

The lectures will be held at Leeds at 6.30 p.m., unless otherwise stated.

Changes and Removals.

Messrs. Crawford & Allen, Incorporated Accountants 2, Wellington Place, Belfast, have taken into partnership Mr. J. D. Radcliffe, B.Com.Sc., A.S.A.A.

Messrs. Ferguson-Davie, Harris & Co., Chartered Accountants, 83, Cannon Street, London, E.C.4, announce that they have admitted Mr. Claude W. Taylor into partnership. They will practise in future under the style of Ferguson-Davie & Co.

Mr. T. A. Gittins, Incorporated Accountant, has commenced to practise at 23a, Hope Street, Wrexham.

Messrs. Solomon Hare & Co., Incorporated Accountants, inform us of the removal of their offices from 6, St. Stephen's Avenue, Bristol 1, to 39, Broad Street, Bristol 1.

Messrs. Keeling & Co., Incorporated Accountants, intimate that they have removed their offices to Crown Chambers, 118, Chancery Lane, London, W.C.2.

Mr. Andrew Martin, Incorporated Accountant, has commenced public practice at 105, Rue Everaerts, Antwerp, Belgium.

Mr. Alex. E. Picot, Trinity Chambers, Hill Street, Jersey, informs us that he has taken into partnership his son, Mr. D. E. Picot. The practice will be continued under the style of Alex. E. Picot & Co., Incorporated Accountants.

Mr. W. James Price, Incorporated Accountant, has changed his address to 120, New Road, Llanelly.

Scottish Notes.

FROM OUR CORRESPONDENT.)

Golf Club.

The Incorporated Accountants' Golf Club in connection with Glasgow and District held a meeting at Lochgreen Course, Troon, on the 7th ult. The final meeting will take place at the same course on the 5th of this month, when it is hoped there will be a good attendance.

A Commercial Laboratory.

Some time ago it was intimated that, through the generosity of Mr. J. Albert Thomson, the University of

Edinburgh had been able to set up a Commercial Laboratory.

Students leaving the University for a commercial career found themselves in many cases lacking in familiarity with modern office machinery. The purpose of this laboratory is to enable students training for commercial life to acquire a greater familiarity with office procedure and machinery than would be possible by attending ordinary classrooms and tutorial instruction. Such facilities will be very helpful to students leaving the University for a commercial career by giving them a greater insight into the potentialities of accounting machinery as a means of attaining business efficiency. The formal opening will take place on Wednesday, October 23rd, at 5 o'clock, when an introductory lecture will be given by Professor William Oliver, B.Sc., A.M.I.C.E. A special feature will be a demonstration of punched-card accounting machines.

A Trustee's Neglect.

It is a rare thing for the Accountant of Court to be under the necessity of making a report with reference to the failure on the part of a trustee of a sequestrated estate to fulfil his statutory duties. The case was heard by Lord Carmont in the Court of Session.

The Accountant of Court, in moving for the removal of the trustee, said he was sorry to have to make the motion. He explained the circumstances in detail, and said he would be happy if any alternative to the removal of the trustee could be pointed out to him. The trustee, who was not an Incorporated Accountant, explained that the delay had been entirely due to the failure of the law agent in the sequestration to carry out certain requirements. On receiving an undertaking from the trustee that the sequestration would be wound up and his statutory duties completed within one month, Lord Carmont said he would not remove the trustee.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

EXECUTORSHIP LAW AND TRUSTS.

In Re Wilks—Keefer v. Wilks.

Power of Administrators to Postpone Sale.

Farwell (J.) held that administrators in England of a person who died domiciled in Canada and intestate as to the property in question—shares in a company incorporated in England—are entitled, where the beneficiaries are infants, either to appoint a trustee for the infants under sect. 42 of the Administration of Estates Act, 1925, or to exercise as administrators the powers conferred on them by sect. 33 of the Act of postponing a sale of the shares until such time as they can distribute the estate

by handing over the proceeds or the property to the persons beneficially entitled, and get a good discharge for the same from those persons on their coming of age. Until such distribution they are trustees holding the property in their character as administrators with the powers given to administrators under sect. 33 of the Act.

(Ch.; (1935) 51 T.L.R., 489.)

In re Prince.

Right of Legatee to Appropriate Payments.

The Court of Appeal dismissed an appeal from a decision of Clauson (J.) and held that if an executor when making payments on account of legacies does not appropriate such payments to principal or interest, the payee has the right to do so.

(C.A.; (1935) L.J.N., 78.)

MISCELLANEOUS.

Townley Mill v. Oldham Assessment Committee.

Unoccupied Mill Premises Containing Machinery.

The Divisional Court held that the fact that machinery and plant are kept on premises without being used does not make the premises rateable.

(K.B.; (1935) L.J.N., 26.)

COMPANY LAW.

In re Davis & Collett.

Just and Equitable Winding-up.

Where a company's affairs are so conducted as improperly to give one director control, it may be just and equitable to wind it up compulsorily.

(Ch.; (1935) L.J.N., 106.)

REVENUE.

Dewar v. Inland Revenue Commissioners.

Interest Payable on Legacy.

The respondent, who became entitled to interest on a legacy, had not received any sum in respect of interest because, though the estate was sufficient to meet it, he had allowed the question of payment to stand over and had not elected whether or not he would claim interest. He was assessed to surtax in an amount which included interest on the legacy.

It was held by the Court of Appeal, affirming the decision of Finlay (J.) (see *Incorporated Accountants' Journal*, June, 1935, p. 346), that as the respondent had not received any of the interest there was no income in respect of it on which he could be charged to tax.

(C.A.; (1935) 51 T.L.R., 536.)

McKenna v. Eaton-Turner.

Earnings in Employment Abroad.

An English company, which had its registered office in London, employed the appellant as manager of a mining property in West Africa. The appellant was resident in the United Kingdom, having a house in England in which his family lived. His duties were all performed in West Africa, but the greater part of his remuneration was paid by the company into his bank in London.

It was held by the Court of Appeal, affirming the decision of Singleton (J.) (see *Incorporated Accountants' Journal*, March, 1935, p. 232), that the appellant in respect of the profits of his employment came within the words of Schedule D, 1 (a) (ii), Case II of the Income Tax Act, 1918. As by virtue of sect. 18 of the Finance Act, 1922, the profits or gains from an office, employment or pension chargeable to tax under Schedule E of the Act of 1918, the appellant fell to be assessed under Schedule E.

(C.A.; (1935) 51 T.L.R., 557.)